

Top Management Support

Are you struggling to get the tone at the top?

The ethics seed emerging from the bottom.

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1

“Tone at the top”

The ‘Tone at the Top’ is the foundation that makes a compliance program ‘effective’.

Management needs to own up the tasks and take active interest in devising and implementing compliance programs.

They need to ensure that every employee, every agent and every representative of the organization is not only aware of ethics and consequences of non-compliance, but also witnesses in day to day actions of its leaders.



2

Special Issues to Consider

- ✓ **Mergers and acquisitions:** Cultural integration is essential to a successful combination, especially in mitigating risks to the combined entity.
- ✓ **Autonomous and decentralized operations:** The further away from headquarters, the greater the likelihood that something can get lost in translation. Take time to understand and respect other peoples' cultures, and pay special attention to business units or individuals that operate with significant autonomy.



3

Special Issues to Consider



- ✓ **Displeasures:** Nothing will undermine tone more quickly than turning a blind eye toward individuals whose actions are contrary to the organization's beliefs.
- ✓ **Commitment:** Institutionalization of values is often the first step toward bureaucracy. The senior leadership helps set the tone at the top by keeping values and culture "fresh."
They are the example to the organization

4

What is your duty as a Compliance Professional when you face lack of tone at the top in your Company

- ✓ Identify the root cause – the reason why
- ✓ Know the board members and their behaviors
- ✓ Verify the history of communication from the Compliance Officer to the Board and vice versa
- ✓ Verify how is the communication, and the compliance strategy, communicated by the Board members
- ✓ Is the compliance strategy part of the board's objective and vision for the company's long term strategy

5

Know What the Board Wants

- ✓ Discuss with the Board the format and frequency for reporting
 - Dashboards
 - Balance too much and too little information
 - Timely reporting of suspected violations
 - A snapshot of where the organization is in regards to compliance
- ✓ Regular executive sessions
 - Open dialogue
 - Avoids suspicion

6

Reporting to the Board

- ✓ Management reports should be independent from compliance reports

- ✓ Compliance reports should contain:
 - Objective scorecards
 - Internal and external investigations
 - Serious issues raised during audits
 - Hotline call activity
 - Allegations of material fraud
 - Sr. management misconduct

7

How can you reach the top management starting from the bottom?

- As mentioned, lead by the example
- Top management and Compliance Officer should be closer to the lower level of the organization
- Exposure the results of Compliance programs and investigations (assuring the appropriate Privacy requirements)
- Disseminate the way of escalate Compliance issues in the organization
- Non-retaliation policy well communicated and disseminated

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8

Encouraging Accountability and Compliance

- Compliance is an enterprise-wide responsibility
- Employees should have defined incentive goals and objectives against which performance may be measured and incentivized
- Board should ask management about its efforts to develop policies and procedures
- Proactive in self-disclosing any wrongdoing
- Assure there is good communication channels across the organization

9

Reinforcing Tone at the Top

- ✓ Walk the talk.
- ✓ Making decisions: Remember the Company values. Think about how the decision may reinforce – or conflict with – the company’s stated values.
- ✓ Pay attention to the Company external and internal image and reputation: The perception of employees, customers and other stakeholders.
- ✓ Include ethics and compliance in performance goals for executives.
- ✓ Consider the Ethics and Compliance profile and track record when promoting people in leadership roles.



10

Next Steps

- ❑ An effective dialogue with the compliance professional and Board. Answering all the Board questions
- ❑ Once your organization develops this best practice, the leadership question list can further evolve into a more effective tool for maintaining an effective relationship with leadership in the future.

11

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12