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Having a compliance program doesn't prevent corporate hypocrisy

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The best way an organization can mean what it says and say what it means is through purposeful actions. However, where actions do not match words, it becomes a clear case of corporate hypocrisy—that is, a corporation sets a double standard that seems to prioritize compliance but in a real sense has failed to demonstrate commitment to compliance program implementation and administration.

The recent trend of compliance violation by some "too big to fail" organizations around the world is a call to question the organizations that have committed to meeting the highest ethical and legal standards. How else can we explain the involvement of major auditing firms in well-known cases of compliance violations? And how is it that the organizations that should have known better and could positively influence others are the ones being caught in compliance complicity? Here, we explore how organizations fall victim to this practice.

Prioritizing outcome over process

Corporations are susceptible to corporate hypocrisy when the desire for profit is placed above the need to conduct business ethically and legally. In any corporation where profit and return on investment are the only considerations for business decisions, hypocrisy will become imbedded in the corporation's culture. These corporations want to look good on paper; in some instances, these corporations have policies they do not need or have never enforced in a bid to be seen as an upright organization. But what is the use of having a compliance policy when there is no commitment to follow through by the organization? The act of making a profit as the cornerstone of business decision creates a deliberate or willful blindness that fuels compliance violations, as the desperate pursuit for profit at any cost makes employees throw caution to the wind and do anything that will make them achieve the result even if it requires paying bribes or falsifying documents. In most cases of noncompliance, organizations chose to ignore the caution signs in their own policies when setting targets for employees or commercial projections.

As a hypothetical example of the risk of putting profits first, a banking officer is given a target to bring new accounts with a cumulative balance of $50,000,000 within a definite timeline. The officer is under pressure for nonperformance and stands the risk of losing their job. The officer observes that the know your customer (KYC) form is an extra step, so decides to fill the form on behalf of the prospective customer, providing account referees and overlooking some potential red flags that could suggest money laundering. After successfully opening the account, the officer is celebrated across all branches of the bank as the best-performing employee for the month. The process is never questioned, the KYC officer detects no issues with the account information, and the bank officer gets promoted, now overseeing 100 employees. This officer carefully introduces these employees to the practice they used to open the account, which gradually becomes a part of their regular operations.

When corporate leadership emphasizes the outcome and not the process or journey that leads to the outcome, corporate hypocrisy thrives.

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