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Incentives to promote ethical behavior

By Ahmed Salim

As most organizations are in the process of paying out annual bonuses and handing out merit increases to salaries, it is important to start thinking about implementing compliance incentives within your organization to help promote ethical behavior from stakeholders.

What is an incentive?

An incentive allows compliance programs to provide financial or other forms of compensation to employees who display a sense of compliance. However, implementing an incentive program may yield adverse outcomes for stakeholders, including reducing potential bonuses or additional financial contributions to prevent misconduct. To prevent this outcome, the U.S. Department of Justice (DOJ) recently outlined additional key elements of an effective ethics and compliance program, including implementing a compensation system that holds stakeholders accountable for misconduct and rewards compliant behavior. The goal is to encourage ethical behavior within an organization and to hold stakeholders accountable.

How to implement incentives

Prior to implementing incentives, it is imperative to get senior leadership buy-in. Aside from messaging the importance of the proposed changes to stakeholders, senior leaders will also be able to communicate that they will be part of the incentives program. Once aligned with senior leadership, start thinking about what types of incentives your program wants to focus on and how to capture metrics to measure stakeholders' compliance.

After identifying your metrics and focus areas, work with stakeholders to determine the appropriate values for rewarding compliance or penalizing misconduct. This exercise will be difficult. A new incentives plan within an organization may cause uneasiness among stakeholders, so ensure that whatever is implemented does enough to ensure compliance but won't lead to fear within the compliance program. You need collaborators, and implementing financial restraints could lead to stakeholders having a negative view of compliance.

In summary, as the DOJ begins promoting incentives, it is important to start thinking about how your program can implement incentives in your organization in a way that supports the program in a positive light.

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