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Uncovering misconduct requires clear reporting channels and codes of conduct

By Jim Walton

When Royal Bank of Canada fired its chief financial officer (and heir apparent to its current CEO) earlier this year for having an undisclosed personal relationship with another employee, the news inevitably made business headlines around the world.^[1] Allegations that the employee had received preferential treatment thanks to this close connection, including a promotion and increased compensation, were doubtless something that the bank’s senior leadership would never have wanted to hear.

However, amid these damaging revelations, the silver lining is that they did hear them, they did listen, and they did take action. Reports indicate that staff used an internal reporting channel called “Speak Up” to alert the proper people of their concerns. In this sense, this story appears to be a victory for ethics and compliance good practice. It underscores the importance of having accessible channels through which staff can report misconduct, as well as clear codes of conduct to establish what good (and bad) behavior looks like and how it should be handled.

Making it easier to blow the whistle

Giving people a means to blow the whistle means misdemeanors and unethical conduct (e.g., conflicts of interest, discrimination, harassment, regulatory breaches, bribery, or fraud) are far more likely to be detected—and reported more quickly. While that may reveal some uncomfortable truths, the sooner these issues are dealt with, the better. Tackling misconduct early—proactively and decisively—can help minimize any financial losses, fines, and damages incurred and help restore the trust of key stakeholders such as customers, employees, and shareholders faster (who might otherwise take their business, skills, and capital elsewhere).

Implementing a hotline along the lines of a speak-up program is essential so staff know there is a dedicated place where they can go to raise the alarm. Ideally, this should be multichannel, including specific phone numbers, email addresses, webpages, or online tools to make it easier for people to access the right, trained personnel who can field the information appropriately. Companies should make it clear that any such channels are confidential and anonymous so people are not deterred from speaking out for fear of retaliation.

However, organizations cannot afford to rely on people’s innate sense of right and wrong to ensure they flag potential problems when they see them. Staff need to be educated about the company’s values and trained on its ethics and compliance requirements. They need to be aware that they have a responsibility to say something if they suspect wrongdoing and know how to do so. They should understand the company’s policies and processes for dealing with compliance issues and what protections are in place for those who report misconduct. Plus, they must be assured that whoever they report it to—be they line managers, middle managers, senior leaders, or

ethics and compliance professionals—will take the complaint seriously and support them appropriately and effectively.

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