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Tips From The Trenches: Starting an Ethics and Compliance Program

Imagine you have been asked to start an ethics and compliance program at your company. Where do you begin?

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In 2013, Joanne Horibe became Magna International Inc.'s first Vice-President, Ethics and Legal Compliance (she has since been promoted to Chief Compliance Officer). As a 13 year veteran of Magna's corporate/commercial legal department, she knew a lot about Magna but was new to compliance. She also needed to get up to speed quickly since Magna was cooperating with the U.S. Department of Justice in their ongoing antitrust investigation into the automotive tooling industry. Here are five of the lessons she learned along the way:

1. Consider Who's Asking

When I was approached to take on this role by the Chief Legal Officer, the first thing I asked was how committed the Chief Executive Officer and Chief Financial Officer were to implementing a robust compliance program and not just a "check the box" program. "Tone from the top" is often referred to as critical to the success of a compliance program. I would encourage you to interpret that broadly and ask "what's the tone, commitment, allocation of resources (both headcount and budget) from the top?" What's the definition of "top"? Although support from legal and the board of directors is important, strong support and buy-in from the cross-functional business leaders across Magna has been critical to the success of our program.

2. Turn Crisis Into Opportunity

While I hope you never have the U.S. Department of Justice or any other regulatory body knocking at your door, if that happens, use the crisis to your advantage to get the resources and attention from management that you need. In our training, we regularly highlighted the multi-million dollar fines and jail time incurred by our competitors in the automotive supply sector as a cautionary tale of what could happen to us if we didn't make ethics a priority. Better to be proactive and create a reasonable timeline for implementation than to have a government-ordered monitor deciding for you.

3. Be Wary of Advice from Experts

The thing that the experts don't want you to know is that compliance is very much about common-sense. The U.S. government has issued very helpful guidance to help companies create and evaluate their compliance programs (e.g. U.S. Sentencing Guidelines, Resource Guide to the U.S. Foreign Corrupt Practices Act, Evaluation of Corporate Compliance Programs). Read them and assess what your company already has in place and what the gaps are. Once you take a critical look, you will probably find existing processes that you can build on. For example, can you leverage the existing risk assessment process to add a new section about ethics risks? Can internal audit conduct compliance audits while they are already on-site conducting financial ones?

Be cautious of advisors trying to sell you "off the shelf" compliance programs. A few years ago I had dinner with a newly appointed Chief Compliance Officer. Like me, he was someone who had been in the legal department of his company for a long time but was new to compliance. He had retained one of the Big 4 accounting firms to develop his program and their first recommendation was to appoint compliance leads at each one of their 150 divisions. Although I agreed with the concept, I wondered whether the timing was premature. After spending hundreds of thousands of dollars over the next two years without gaining traction, the firm was fired and so was the CCO. Don't get me wrong: I have used many excellent advisors over the years and learned so much from them (NOTE: feel free to email me for recommendations). However, the moral of the story is that you are the expert of your company's structure and culture. Trust your gut.

4. What Gets Measured Gets Managed

Magna is a highly decentralized, entrepreneurial organization where each of the operating groups have great autonomy. Knowing this, I needed to figure out a way to create minimum, consistent standards that each of the operating groups could implement. Inspired by our manufacturing environment where there are metrics and scorecards for everything, we implemented an “Ethics and Legal Compliance Scorecard” that sets out the key metrics and targets to be reported by each group on a semi-annual basis. The scorecard results are publicized, reported to our Board of Directors, and factor into executive compensation. All of our business leaders are very motivated to ensure that they are not lagging behind their operating group peers.

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5. Stop Thinking Like a Lawyer

One month after I started my compliance job, I attended a compliance conference in D.C. I was shocked to discover that compliance wasn’t just a subset of legal but an entirely separate profession! There were over 1,200 compliance professionals attending from various backgrounds in legal, finance, HR, audit, IT and communications. Since then, we have partnered extensively with our internal functional experts. For example, our original Code of Conduct and Ethics (written by lawyers for lawyers in 2004) was completely revamped by our marketing and communications department to be employee-friendly, text searchable, with FAQs and pictures. We have a trainer-in-a-box program that enlists business leaders to be our compliance trainers. Getting the compliance program out of the legal department has made us much more accessible and relevant to our employees.

Overall

With the benefit of hindsight, would I have done anything differently? During the first year, I often woke up at 3 a.m. worried that we weren’t moving fast enough. Now I realize that even the government regulators aren’t expecting business to grind to a halt while you implement a well-thought out program. I now have the confidence to know that we had a strong, logical 3 -5 year plan that I could have easily defended to anyone who asked (and did). Trust that you have been tapped to lead this important initiative because of your excellent common-sense and knowledge of your company’s culture. Most importantly, embrace the crazy ride!



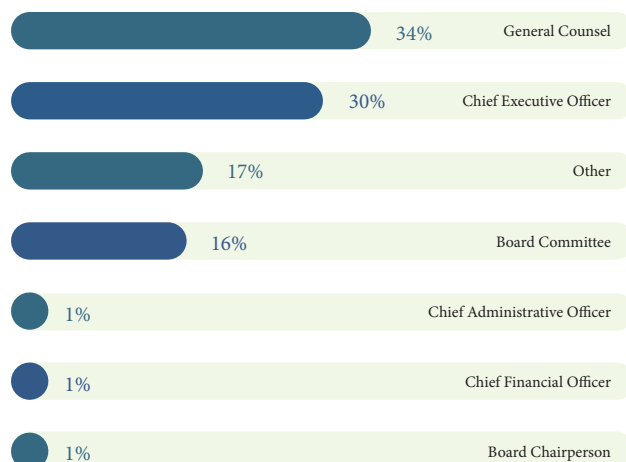
About the Expert

Joanne Horibe is Chief Compliance Officer at Magna International, a mobility technology company and global automotive supplier headquartered in Aurora, Ontario.



MORE ON THIS TOPIC: Stats & Data from Ethisphere

During our Canada-based BELA roundtables (see more about those on page 15), a common point of discussion was around the best reporting lines for Chief Compliance Officers, especially for those that are starting a program. Below is a breakdown of reporting lines for chief compliance officers from the 2018 World’s Most Ethical Companies.



Source: 2018 World’s Most Ethical Companies

Resources for BELA Members

Each year, Ethisphere produces an annual report outlining the **Business Case for Compliance**, a powerpoint presentation with data from Ethisphere and other leading industry organizations which highlight how compliance can serve as a differentiator and create greater efficiencies for a company. Member companies use these slides within their own presentations when outlining the benefits of their compliance functions and for justifying annual budgets. BELA members can click the below image to access the Business Case for Compliance deck.

