Good corporate compliance and ethics need improvement research paper example

Business, Company

Introduction: With data explosion and availability of everything via internet there is a transformation in the area of ethics, risk and compliance. It has become easy to track and trace misdoings, and illegal transactions.. Though, there have been sufficient measures to prevent risk and compliance, they have become ineffective now. The norm of compliance and averting risk has changed many folds. New and tough measure of deploying compliance and risk is mandatory. According to Keith Darcy an Independent Senior Advisor at Deloitte, the top five accounting and consulting firm, “ Good Enough” is just no longer good enough (Deloitte. wsj. com, 2014). Mr. Darcy mentions five differentiators that separate good compliance practices to great. At the organization level effective risk and compliance practices should be a function like any other and have a mass reach to every employee of the organization. “ Toward a Culture of Compliance: Eight Initiatives CCOs Can Lead (Deloitte. wsj. com, 2014)” mentions eight initiatives that a Chief Compliance Officer lead with, to bring awareness on risk and compliance in an organization.

In addition, boardroom integrity is a must. The board must hold senior management accountable for meeting the expectations of compliance and risk mitigation. Though everyone knows about these measures, still compliance is breached.

JP Morgan, the biggest US bank, paid a fine of $13 Billion to the justice department to end the mortgage securitization charges and further probe in the matter. JP Morgan settlement was the costliest settlement by a single entity in the American history (Hugh Son, 2013).

JP Morgan acquired Washington Mutual and Bear Stearns. This decision put the US Bank into trouble, and it had to bear the burden of mistakes done by them. The two companies have tried to shed their bad mortgage to other parties like mortgage backed security inspectors and US tax payers in the past (Washington Post, 2014). This incident is a classic example of failure of ethics and compliance regulation of the organization.

Another crucial incident that put JP Morgan in news was the salary hike of its CEO, James “ Jamie” Dimon. It is arguable that during the crisis time JP Morgan’s board justified the pay hike of 74 percent for Mr. Dimon. Mr. Dimon had a serious pay cut during 2012, owing to the moral responsibility of the issues JP Morgan faced. Board approved this because they wanted to reward Mr. Dimon for sustaining the chaos, and still making JP Morgan profitable. Board also clarified that it was trying to retain Mr. Dimon as the CEO since he is a great financial expert. Counter arguments were raised saying that it was Mr. Dimon’s moral responsibility to steer the company in tough times, and moreover, he should own the responsibility of buying two companies that had a dark past. Leaving for compensation is no good reason for a CEO of his stature. Mr. Dimon’s strong personality will not last forever and the most important task for the board now is to have a succession plan in place since there are many eyebrows raised against this incident (Guerrera, 2014).

In another non-related incident, a fair amount of discouragements was seen among the Coca-Cola board and investors group against the proposed executive pay plan for 2014. Warren Buffet and David Winters, of Wintergreen Advisers, L raised their concerns (Kahan, 2014). “ Wintergreen Advisers, LLC, on behalf of its clients, expresses its deep disappointment with Coca-Cola’s proposed 2014 Equity Plan. As further detailed in the attached letters to the Coca-Cola board of directors and Berkshire Hathaway CEO Warren Buffett, Wintergreen Advisers believes this plan to be an unnecessarily large transfer of wealth from Coca-Cola’s shareholders to members of the Company’s management team.” “ I'm against the plan, and they know it,” Mr. Buffett said in an interview with The Wall Street Journal. It is such a good imperative that all the shareholders and board are in sync while taking important decisions. Decisions that do not have permission from all the stakeholders and the board are likely to produce resentment and discomfort and can lead to risk and compliance breach at a later stage.

Conclusion: It is very important that all members of an organization comply with the rules and regulations. Failing that may have dire consequences. Ethical and compliance measures have a long way to go. The top management, board and investors need to be the leaders in laying a strong foundation, and only then it can percolate down.

Resources

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