Sometimes people speak as if compliance and ethics are one and the same. They are not. Compliance is a program to ensure that the laws and regulations applicable to a corporation, university or any other institution are followed. Ethics encompasses modes of behavior that transcend rules and regulations. As I noted in June, ethics is a lifestyle.

As regulatory environments become increasingly complex the need for informed and competent compliance systems becomes ever more critical. A corollary is the need to ensure that such systems are maintained. That can be a challenge.

Which brings us to the importance of ethics. Some have said that the ultimate test of ethical behavior is how would you act if no one was looking? In that situation, would you do the right thing? Of course how would you know what is the right thing. That underscores the importance of community. The 17th century poet John Donne famously wrote, "No one is an island." Purists might note that Donne actually wrote, "man" not “one”, but behaviors and modes of expression change, hopefully for the better.

We have obligations, each to the other, to reinforce ethical behaviors, and to improve ethical behaviors. But we can’t do it alone. It must be a mutual endeavor. Ethical leaders must create an environment that encourages that mutual endeavor.

The benefit to a corporation or other institution is that a community of ethical behavior enables compliance. Or to put it another way, it is easier and ultimately less expensive to maintain a compliance program within a culture of ethical behavior. It seems so obvious, but read the business news about corporate compliance failures -- every year one or two that are mind-blowing in scope -- and one is regularly reminded that managements fail to get the message. The irony is that ethical behavior is actually self-serving. A strong understanding of ethical behavior actually creates an environment for effective decision making. Decision making that will inevitably reduce risk and the costs associated with risk, including the risk of non-compliance.

Lee Augsberger, a member of the Board of Advisors here at the Institute for Ethical Leadership who serves as the Senior Vice President and Chief Ethics and Compliance Officer at Prudential Financial, Inc., put it well when he said, "I firmly believe that effective business leadership is impossible without an unwavering commitment to business ethics."