

Can compliance restart integrity? Toward a harmonized approach. The example of the audit committee

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Abstract-

The compliance-based approach and the integrity approach have been the mainstream responses to corporate scandals. This paper proposes that, despite each approach comprising necessary elements, neither offers a comprehensive solution. Compliance and integrity, far from being mutually exclusive, reinforce each other. Working together, in a correct relationship, they build a harmonized system that yields positive synergies and which also advocates prudence (phronesis). It enables the generation of a culture of compliance that tends to minimize the technical and ethical errors in decision making. In order to explore an applied harmonized approach, we analyze the audit committee, a specific and broadly accepted regulatory instrument. Formed by non-executive members, regulation requires these members to be dedicated, qualified, and independent as a guarantee of efficiency. We show how the compound of those elements produces positive effects in a context of solid governance. We conclude that it is the strong relationship between efficiency and prudence, in the creation of a culture of compliance, which enables the minimization of errors.

Index Terms-

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Citation:

Calderón, R.; Piñero, R.; Redín, D.M. "Can compliance restart integrity? Toward a harmonized approach. The example of the audit committee", Business Ethics, the Environment & Responsibility, vol.27, no.2, pp.195-206, April, 2018.