



building an
ethical
SOCIETY

Compliance is Not Enough

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The ethics of governance: Corporate scandals

01



Whether professional obligations remain stronger than commercial relationships.

02



Whether professional obligations remain stronger than commercial relationships.

03



Corruption, conflicts of interest and the abuse of entrusted power

04



Weak internal accountability and the failure to challenge financial judgement

Ethics and Corporate failure



The greatest ethics and compliance challenge revealed by Steinhoff, KPMG, VBS and Tongaat Hulett **is not the absence of rules.** It is the failure to translate rules, values and governance responsibilities **into ethical decisions and behaviour** when commercial, financial, relational or organisational pressures make doing the right thing difficult.

Why ethics and compliance matter

- 1. Ethics and compliance are not operational functions alone.**
Governance mechanisms to ensure accountability and prevent interference
- 2. They are governance responsibilities.**
“Stretch goals” that encourage workers to meet extremely ambitious targets often lead to flawed decisions and contribute to failed ethical leadership” – Moore & Bazerman, 2026
- 3. The Board must ensure that risks relating to misconduct, corruption, fraud are identified and managed**
Create accountability at all levels
- 4. Regulatory non-compliance is identified and managed before it becomes a crisis.**
Board oversight over organisational compliance and ethics infrastructure

The governance expectations and outcomes

Focus	Definition		 	
Corporate Governance	The exercise of ethical and effective leadership by the governing body towards the realisation of the FOUR governance outcomes for the organisation within its economic, social and environmental context.	Principle 2: Compliance governance resides with the Governing Body	Principle 9: The governing body governs compliance [...] in a way that promotes ethics and responsible corporate citizenship.	ISO 37301: 2021: Requirements for guidance to use ISO 37303: 2025: Guidance for competent management ISO 37302: 2025: Guidance for evaluation of effectiveness
Compliance culture / ethical culture	The culture of shared values, beliefs, assumptions and behaviours existing within an organisation that characterises the organisation, especially in relation to managing compliance risk and meeting compliance obligations in an ethical manner An ethical culture is characterised as one where the organisation’s systems of control, its beliefs, assumptions, and its formal and informal systems promote balance between the needs of the organisation (what it deems to be valuable and worth doing) and the needs of its stakeholders			
Ethics	Doing GOOD for SELF and OTHER → Doing NO HARM			
	STRATEGIC OUTCOME: An institutionalised ethical culture reflective of the Corporate Citizen character of the organisation			
				

Corporate citizenship

“A concept that describes the organisation’s **legal and social standing within the broader society in which it operates. The organisation is recognised as a juristic person in society but given that this recognition draws from a legal framework endorsed by society, the organisation has concomitant **societal responsibilities**.”**

Organisational ethics: Ethical culture

»»» King V™ Code (2025):

Principle 1

The governing body leads ethically and effectively as the focal point of corporate governance in the organisation.

Principle 2

The governing body governs the ethics of the organisation in a way that enables an ethical culture and responsible corporate citizenship.

Governance of ethics framework



Leadership commitment

- **Role of the Chairperson**
Setting the ethical tone for the governing body and the organisation
- **Role of the CEO**
Providing ethical leadership and creating an ethical culture in the organisation
- **Role of senior management**
Endorsing the cause for ethics and embed ethics from the top downwards
- **Middle management** – the link between senior management and employees – hands-on responsibility for ethics.

Governance of ethics framework



Governance of ethics structures

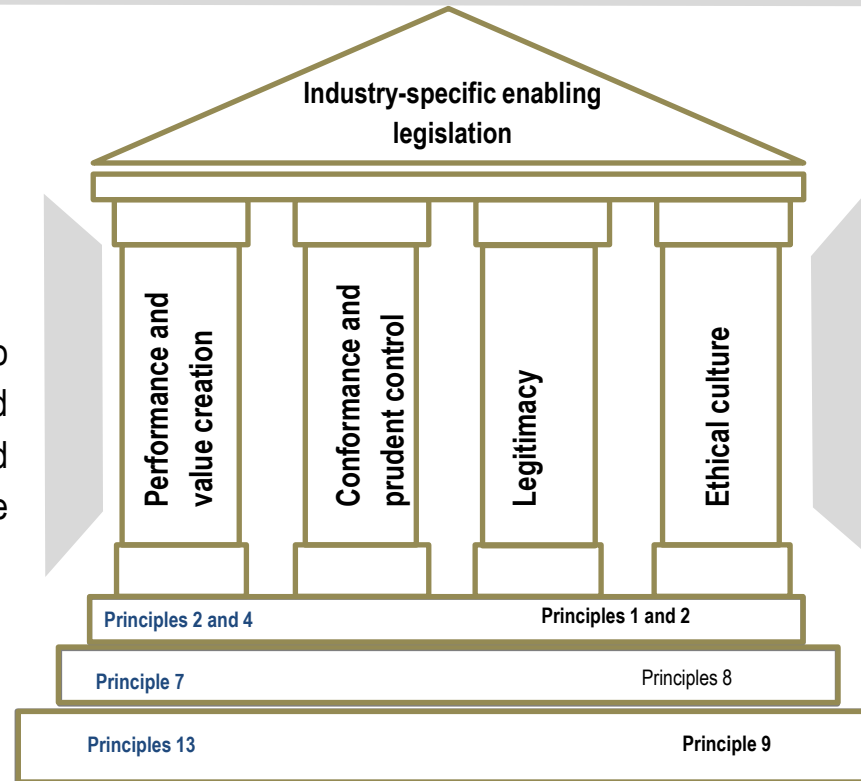


The compliance and ethics co-dependence

Compliance (GACP)

Strategic Outcomes

Institutionalising an ethical culture of commitment to fairness, transparency, accountability and responsibility in meeting compliance obligations and support the achievement of sustainable compliance outcomes.



Principle 2: Compliance governance resides with the Governing Body

Principle 4: The Compliance management system is developed implemented, maintained and continuously improved to achieve compliance objectives

Principle 7: An appropriate compliance culture, including desired ethical behaviour, should be promoted throughout the organisation.

Principle 13: There should be effective ongoing communication between compliance stakeholders to support the achievement of compliance objectives as well as appropriate consultation by the compliance function in developing the compliance framework of an organisation and during all phases of the compliance process.

Ethical Compliance (King V)

Strategic Outcomes

Institutionalising an ethical culture with ethical values applied to decision-making, conduct and relationships between the organisation, its stakeholders and the broader society

Principle 1: The governing body leads ethically and effectively as the focal point of corporate governance in the organisation.

Principle 2: The governing body governs the ethics of the organisation in a way that enables an ethical culture and responsible corporate citizenship.

Principle 8: The governing body governs risk in a way that enables the organisation to sustain and optimise its strategy and objectives.

Principle 9: The governing body governs compliance with applicable laws and adopted policies, non-binding rules, codes and standards in a way that promotes ethics and responsible corporate citizenship.

The compliance-ethics interplay



The observed

1. The hog balanced between two rocks
2. The two rocks
3. The gap
4. The animals below
5. The distant grassland and trees
6. Predict: The hog's actions

The interpretation

1. The leap to the top: A decision taken
2. The organisation's competing pressures
3. Sphere of ethical judgment
4. Potential consequence
5. The desired future
6. Ethical courage



What we are required to do establishes the minimum; what we ought to do challenges us to determine whether the minimum is enough

Case 1: Tiger Brands



The issue: Food contamination outbreak in March 2018

Company background:

- 1921
- Valuation
- Geographical presence

The extent of the outbreak

Responses to the outbreak

Key reflections:

Tiger Brands demonstrates that a Board can be compliant, have policies, committees, certifications, risk registers and assurance processes, and still experience an ethical governance failure.

The question for the Board is not whether Tiger Brands had a compliance system. The question is whether the Board had sufficient evidence to conclude that the system was effective.

Ethics and compliance are tested in the gap between pressure and consequence.

Sentiment analysis: Parliamentary Portfolio Committee on Higher Education

Dimension	Issues reflected in the sentiments	Dominant sentiment	What the sentiment suggests
1. Ethical conduct	Alleged lying/misleading Parliament; lack of accountability; possible misuse/waste of public funds; nepotism/favouritism; questionable appointments; failure to take responsibility; perceived incompetence; disregard for students and taxpayers	Strongly negative	There is a perception that individuals in positions of authority are acting contrary to expectations of honesty, integrity, accountability, responsibility and stewardship of public resources.
2. Organisational culture	Incompetence; poor performance; lack of responsiveness; organisational dysfunction; weak consequence management; leadership failures; excessive reliance on advisors; perceived political/relationship-based appointments; repeated problems without resolution	Strongly negative	The sentiments point beyond individual misconduct towards a systemic culture problem in which poor performance, weak accountability and inadequate leadership may have become normalised.
3. Compliance	Alleged non-compliance with the NSFAS Act; concerns about procurement processes; due diligence; administrator's mandate/task description; reporting of unallocated funds; material irregularities; APP/budget concerns; parliamentary accountability and oversight	Strongly negative	There is concern that rules, statutory requirements, governance processes and accountability mechanisms are either not being followed, not being adequately demonstrated, or are perceived to be ineffective.

Sentiment analysis: Negative sentiments expressed

Organisational sentiments:

“so many incompetence in this department”
“always in a critical stage”
“another administrator ... [dealing with the] same issues”



Leadership is a cross-cutting concern in terms of what leaders should have done differently

Leadership responsibility sentiments:

“not been taken to task”
“not taking responsibility”
“What happens to culprits?”



The problem is perceived as systemic and recurring

Compliance sentiments:

“non compliance with Section 17 (b) (c) of the NSFAS Act”
“material irregularities”
“what happened to due diligence?”



Governance, statutory and control requirements are perceived as poorly implemented or inadequately enforced

Culture

Organisational culture:

“How we do things around here”

Ethical culture:

The way we do things around here even when no one is watching ...



Dimensions of an ethical culture

1. Ethics accountability and responsibility
2. Top leadership commitment to ethics
3. Middle management commitment to ethics
4. Employee commitment to ethics
5. Awareness of ethical standards
6. Ethical treatment of employees and stakeholders
7. Ethics talk

Demonstrative compliance-ethics interplay

Toyota's Andon Cord

Original intent

First introduced the Toyota Andon Cord in **1937**, under its Toyota Production System (TPS), to **promote quality** within the company's vehicle manufacturing process. The primary intent of the Andon Cord, still, is to **allow any employee in the production line to stop production when a defect or a process risk is identified**

Applicability

The issue considered: Quality control becoming a key consideration.

The Compliance focus: If someone spots a flaw, abnormality or other potential quality problem, just pulling it triggers an instant reply.

The value focus: Represents empowerment (ownership), a quality focus, and constant upgrading.

The co-dependence theme: Quality control linked to ethical responsibility



Ethical culture development: Speak Up

What should our contribution be from here on?

Ethical courage



- **Caution:** compliance without ethics can become mechanical, while ethics without compliance can become aspirational: **The importance is to promote their mutual reinforcing expectation and outcome.**
- Embrace the case for ethics by understanding the integrated approach, namely: **compliance sets the basic requirements, ethics raises the bar, ethical culture shapes how people actually behave, and accountability helps make these standards last.**
- **Ask** critical ethics questions about decisions

Conclusion

Three Board principles:

1. **Culture:** Ethics begins with leadership behaviour.
2. **Oversight:** Compliance is everyone's responsibility, but governance remains the board's responsibility.
3. **Accountability:** Organisations strengthen trust when misconduct is detected early and addressed consistently.

The Board's role is not to manage ethics: it is to ensure that ethical leadership, effective compliance, and organisational accountability are embedded throughout the organisation.



Thank you

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