

THE IMPORTANCE OF INTEGRATING COMPLIANCE INTO BUSINESS STRATEGY



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Organizations are feeling extra pressure amid constantly changing regulatory requirements and an increasingly complex risk environment. One way to mitigate this is to integrate compliance into the overall business strategy.

What exactly does this process look like?

In their recently released [State of Compliance 2016](#) report, PricewaterhouseCoopers outlines how organizations can connect [compliance](#) and business strategy, all while controlling risk and managing costs. The process also enables chief compliance and ethics officers to highlight the benefits compliance brings to the table.

According to the report, integrating compliance initiatives into the organization’s day-to-day operations can be achieved by setting and embracing a company-wide compliance standard, setting up processes to regularly evaluate risks, and creating reliable oversight standards for managing regulatory matters.

IT STARTS WITH SENIOR MANAGEMENT

When senior leadership has fully embraced the organization’s commitment to compliance and ethics programs, PwC found this commitment will spread through all levels of management and set the compliance tone for the entire organization. This “tone from the top” has also been very important with regulators when reviewing compliance procedures.

The majority of respondents to PwC’s State of Compliance survey said senior leadership at their organization is committed to compliance and ethics. But half said only in an ad-hoc capacity. Very few identified their CEO as a “compliance and ethics champion”.

At CT, we’ve always stressed the importance of senior leaders regularly communicating and reinforcing the company’s stance on compliance and ethics. But according to the report, only a quarter of executives’ reference this in their day-to-day communications.

Part of this disconnect could come from lack of measurement. Only 24% of respondents said their organization includes compliance and ethics metrics in their ratings of senior leadership.

Incomplete monitoring of compliance and ethics practices is a missed opportunity for a majority of companies. Including these metrics gives businesses the chance to hold their leaders accountable and develop ways to better communicate their commitment to compliance. These metrics can also help when evaluating the effectiveness of compliance practices, helping an organization to stay on top of an evolving regulatory landscape.

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COMPLIANCE AND RISK ASSESSMENT IS AN ONGOING PROCESS

With regulatory requirements constantly changing, industry experts agree it's imperative organizations review their business processes to evaluate compliance and ethics risks at least once a year while always monitoring recent changes to regulations and laws.

To accomplish this, while also increasing the organization's overall efficiency, many organizations are integrating compliance and risk evaluation into other business processes.

But it's not always a foolproof process. Focusing too much on high-level enterprise risk management (ERM) processes may make organizations miss out on the input from employees lower in the organization hierarchy. Like PwC, we agree their exposure to everyday operations gives them valuable insight into potential risks.

ESTABLISHING REPORTING STANDARDS

For a compliance and ethics program to shine, the organization must develop a reporting structure that outlines the responsibilities and accountability of the Board of Directors, the compliance department, senior leadership and other internal teams. These reporting structures will vary greatly depending on the business and the types of compliance challenges it faces.

Nearly three-quarters of respondents said they have a business unit or team dedicated to compliance. This gives

us assurance that companies are becoming more alert to the risks of falling out of compliance, which range from everything from fines to imprisonment.



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On the flip side of the coin, we were disheartened to see that 56% of respondents said their organizations do not have a Chief Ethics Officer. It's not enough to focus only on existing rules and regulations. We always advise clients to include organizational ethics in their compliance programs so that there is a philosophical understanding of the 'why' behind compliance. This ethical drive often helps promote vigilance for what new compliance challenges may lay ahead, allowing the company to be proactive rather than reactive as new regulations develop.

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To learn more about how CT can help you better manage your [compliance needs](#), contact a CT representative at 855-316-8948 (toll-free US).

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