BOARD REPORTING

A Comprehensive Guide to Presentation, Persuasion, and Having an Impact

convercent™

"We need to re-establish the core balance between our markets, ethics, and regulations."

—Thomas Friedman, 2009

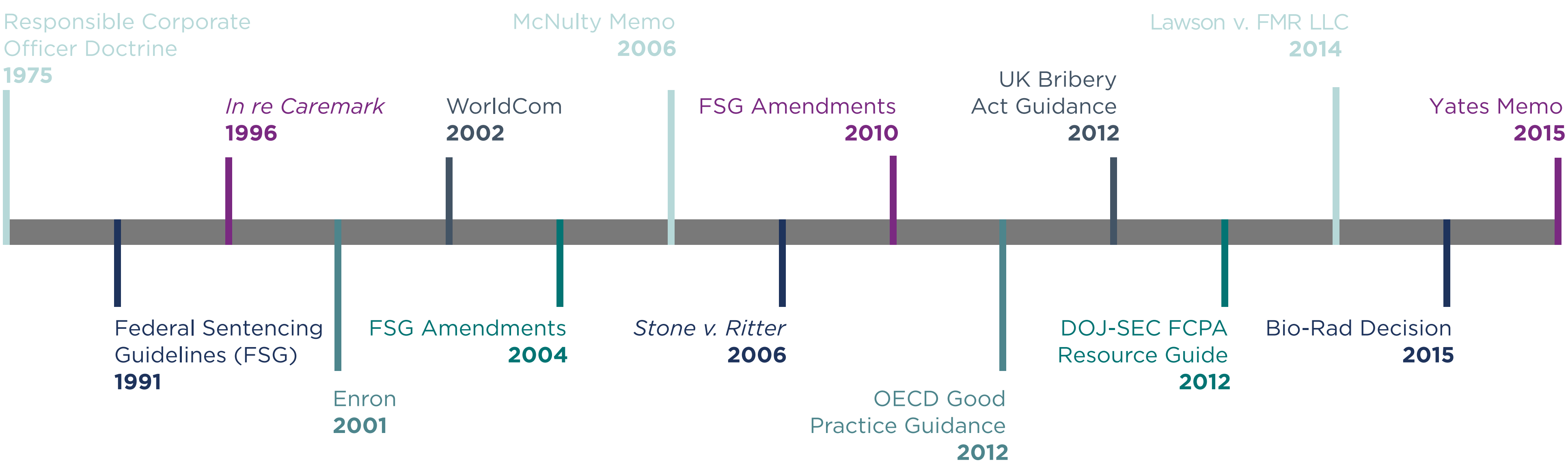
INTRODUCTION

Compliance has historically done one of two things: grown out of legal departments, or grown out of their mindsets.

In other words, risk aversion, incident avoidance, and basing future policy on past bad actions are the inheritance that today's compliance departments are beginning to move past. Some recent major corporate scandals, new laws, regulatory guidance and Supreme Court rulings form a collective, and unmistakable, clarion call that compliance is no longer a minimally necessary part of a growing businesses, but something that increasingly needs to take a seat on the driver's side of strategy and forward-looking policy.

THE BOARD'S ROLE IN COMPLIANCE

The Board's Growing Role in Compliance: A Brief History



A board of directors has their collective eyes on many of the moving parts of a company; many board members may only be interested in compliance as a way of making sure there isn't unnecessary risk or exposure. The Board may only want to know that there are no major fires burning that they don't know about, and that no major ones likely to break out in the next quarter.

[Yet this mindset is increasingly outdated.]

More and more studies are showing that the best performing and most stable companies today are the ones where most forward-looking and well-staffed compliance departments are actively supported by a well-informed and engaged board.

This means more than walking into the boardroom with hotline call stats and lists of policies and training courses. Boards can—and should—expect a higher level of discourse and insight from compliance that includes analysis on important trends, outliers, and correlations of employee behavior and their impact on risk exposure.

Moreover, compliance teams have a real opportunity to defend their program, lobby for resources, and accurately assess and convey program effectiveness by better processing and communicating a richer view of compliance program performance information. It's up to the compliance leader to make sure a company and a board are up-to-date on where compliance stands today and what it should and can do tomorrow.

WHEN REPORTING TO YOU BOARD, THERE ARE FIVE MAJOR PLACES TO BE PREPARED:

1. Explain Why Compliance Matters
Remind the board of the direct correlation between compliance health and company profits and stability.

2. Assess Your Company's Compliance Health
Best-in-breed compliance departments are doing five specific things to drive ethical and profitable behavior.

3. Report on What's Happening
What is the hard data you have around things like incidents, investigations, litigation and initiatives.

4. Analyze What It Means
Show the board what the data means about the company's current state of compliance, how defensible it really is, and how it can be strengthened.

5. Predict Where It's Heading
Today's trends are tomorrow's realities; take the time to extrapolate the data in two ways: benchmark internally and externally and discuss what business decisions you recommend based on your data analysis and an understanding of future changes in your company, industry, legal landscape and global business environment.

EXPLAIN WHY COMPLIANCE MATTERS

THE STICK: FINES, SETTLEMENTS, DROPPING STOCK

One easy concept that most boards get right away is that compliance failures can be very costly. Use recent blunders to drive home the undeniable truth: **bad ethics is bad for business.**

Though the cost of a breakdown can come in various forms (and usually will include more than one of these cost categories), the key takeaway here is that any one of these costs is on its own enough to warrant the attention and scrutiny of a board.

THE STICK: FINES, SETTLEMENTS, DROPPING STOCK (CONT.)

FINES, PENALTIES AND SETTLEMENTS:

As global enforcement ramps up, and cross-border cooperation increases, fines and penalties have grown increasingly staggering.

- BNP paid a record $9 billion penalty in 2015 to the DOJ for violating trade sanctions.

INVESTIGATION FEES:

Once the regulators come knocking, companies need to move fast to find out for themselves what exactly happened by enlisting investigators, auditors, forensic specialists and the like.

- Wal-Mart spent $612 million in pre-enforcement professional fees and expenses in the 2013-2015 fiscal years, before it had even been charged.

REMEDIATION COSTS:

In addition to any remediation requirements imposed by settlements, proactive remediation can win a company favor and credit with regulators, showing its long-term commitment to preventing another breakdown.

- Siemens racked up $1 billion in investigation and global remediation costs—in addition to $1.6 billion in fines and disgorgements—to clean up the fallout from its global bribery scandal.

MARKET VALUATION LOSSES:

A company's brand and competitive disposition take a hit when customers and investors perceive it to be less trustworthy and stable.

- Within a month after recalling more than a half-million cars with switches installed designed to cheat emissions tests, Volkswagen saw its market value plummet 43%, to the tune of $33 billion.

STOCK PRICE LOSSES:

Companies that announce investigations or settlements may see their stocks slide as investors react unfavorably to the news.

- After disclosing that the DOJ and the SEC were investigating possible corruption related to a contract award in South Africa, Net 1's stock price dropped nearly 59%. When South African courts invalidated the contract because of the concerns, shares dropped another 28%.

SHAREHOLDER LAWSUITS:

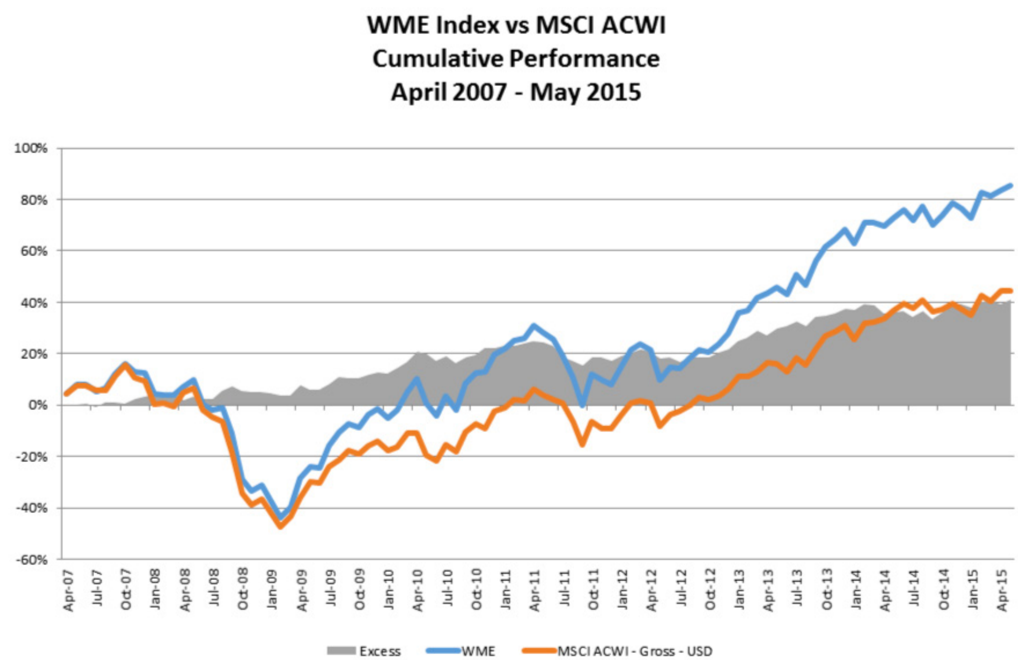
Compliance fallout may also extend to a company's shareholders, either in the form of class action lawsuits or derivative suits brought against the company's directors.

- Alcoa agreed to pay $3.75 million in attorneys' fees and make significant compliance program and governance improvements to settle an FCPA-based shareholder derivative lawsuit—this in addition to their $384 settlement with the DOJ and SEC.

THE CARROT: GOOD COMPLIANCE = STRONGER GROWTH

The opposite point, that good compliance is good for business, can be harder to drive home but is demonstrably true.

At the very least, a compliant and ethical culture reduces negative pressures on employees to succeed at any cost, and leads to greater employee satisfaction, higher productivity, and greater loyalty. Satisfied employees have been shown to outperform their less satisfied peers. The Wharton School at the University of Pennsylvania found that firms considered to be good places to work have 2x the growth of the market average. Additional perks might include being one of the World's Most Ethical (WME) Companies or a listing on the FTSE4Good or Dow Jones Sustainability Index, both proven investment drivers.



Source: Ross Applied Investment Strategy, Zebra Capital, MSCI

Even when employees of companies they perceive to be ethical think their company or their co-workers are running afoul of the law, the vast majority will still try to work through existing channels internally. Steven Cohen, the assistant director of the Securities and Exchange Committee (SEC), reported that their data shows that virtually all whistleblowers first try to report through either a company's hotline, or through their compliance compartment.

Only when these reports go nowhere (or reporters are retaliated against for bringing them) do employees turn to organizations like the government. In other words, there is also a compliance opportunity to avoid getting the regulators involved if the right culture and tone are fostered.

And finally, there's the defense a company is able to raise when they make a good faith effort to comply—and are able to provide evidence of it.

As a case-in-point, in 2012 a Morgan Stanley employee was sentenced to nine months in prison for FCPA violations in China. Yet the U.S. Department of Justice declined to prosecute Morgan Stanley itself because the company was able to show that they had trained the employee on FCPA 7 times and reminded him to comply at least 35 times.

COMPLIANCE AND A STRONG WORKFORCE

Compliance is about many things, of course. Yet compliance can have a big hand in helping shape the company culture, and the company culture is what gives employees a reason to love their work beyond just their paycheck. Loyalty, hard work, and the greater attraction and retention of talent are all side effects of robust compliance programs that focus on more than just the law.

“The business environment is rapidly changing,” says Mark Royal, senior principal at Hay Group. “Our research shows that many companies don’t currently have the right strategies in place to respond to the challenges [growth] brings through arguably their most critical asset—their people. **Firms rated highest for engaging and enabling their staff achieve 4.5x the revenue growth of their lowest scoring counterparts** and see up to 54% improvement on staff retention.”

Compliance and human resource departments have—or should have—their fingers on the pulse of their organization, through feedback from hotline reports, culture surveys, focus groups, and the like.

PROFITS THROUGH ETHICS

Few Boards, executive teams, or even individuals set out to intentionally act unethically or break the law. The SEC and DOJ are aware of this, which is why they will always look at a company's culture even if it appears an isolated individual acted alone.

Steven Cohen of the SEC has said that virtually every single general counsel or chief compliance officer who walks into his office says he or she works for a good corporate citizen. And they believe it. They will tell him they have a strong compliance program that they're proud of.

But when Mr. Cohen poses what should be an obvious follow-up question, how do you know? he says that he is often met with silence.

Max Bazerman and Ann Tenbrunsel reported in the Harvard Business Review (HBR) that compliance isn't as simple as preventing bad behavior. A corporate culture—in privately or publicly held companies—can develop that ends up feeding unethical behavior in ways that can be very hard to spot from the inside, but that will ultimately wreak havoc on profitability. It's like the story of a frog put into a pot of water on a stove: As the water gradually gets warmer, the frog doesn't notice the change and ends up being boiled rather than just hopping out.

Bazerman and Tenbrunsel explain that there are five major ways that an unhealthy culture can develop that ends up putting good people into bad situations, the kinds of situations that can led to reputational damage, fines, or even prosecution of senior management.

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FIVE UNINTENDED CONSEQUENCES OF GROWTH-MINDED COMPANIES:

1. Pressure to Achieve

Disgraced sports legends Lance Armstrong and Barry Bonds didn't set out to cheat, they set out win. Pushing aggressive sales goals may well encourage cheating (e.g., Volkswagen wanted to become the leader in clean diesel, but the "titanic pressure" placed on engineers led people to create manipulative software to meet unrealistic engineering goals).

2. Success Doesn't Invite Introspection

If a company is doing well, it has little incentive to start digging around for possible conflicts between its ethics and its profits until it's too late. To cite VW again, their "cleaner" diesel and overall marketing had led them to surpass Toyota as the biggest car manufacturer in the world. Their cheating was unlikely to be discovered from the inside.

3. Outsourcing Ethics

Third parties are sometimes hired to do ethically questionable actions, as was the case when the rapidly deflating Valeant Pharmaceuticals used subsidiary Philidor Rx Services to run up prices. Regulatory scrutiny soon followed, as well as a 70% drop their stock price.

4. Copycat Effect

When bad apples act alone, they don't inspire others to follow them. But when an employee begins to skirt the law, maybe just a little, and get rewarded for it, there can be ripple effects. Dozens of highly educated professionals slowly copied their boss, Bernie Madoff, in creating the biggest Ponzi scheme in history. More typically, workers might notice that one of their co-workers is less concerned about how he gives gifts away in China, and his business is exploding. Without clear and continual guidance from a home office, this can spiral out of control.

5. Ends and Means

A questionably ethical decision that leads to profits and market expansion is far less likely to receive the scrutiny of a Board and executive team—in fact, the opposite might just be true. When one looks at major league baseball, for instance (a very profitable business), one can see that it wasn't until Congress became involved in 2005 that the MLB association began getting serious about steroid testing. There was just too much money at stake with hitters like Bonds and McGuire shattering attendance and home run records.

ASSESS YOUR COMPANY'S COMPLIANCE HEALTH

WHAT BOARDS ARE TRAINED TO ASK

Boards have inherited a way to think of compliance that is outdated. Most will ask questions such as:

What are our highest-risk areas and how are we addressing them?

What is the state of the compliance program and how is it evolving?

What do our compliance reporting processes look like?

These are important questions and they should most certainly be addressed. The problem is that these questions have little to do with looking forward, to building a strongly compliant company that drives higher profits by virtue of its compliance efforts and in using today's data to drive tomorrow's growth-oriented policies.

The board must understand that they set the "tone at the top" and how they view compliance is how the company will view it. Since recent case law, policy and guidance have all reinforced that regulators will go after boards and executive teams personally, it might be a good time to remind them that more than fines could be on the line. Compliance is and should be a board-level issue that warrants its time, engagement and close scrutiny.

The hallmarks of effective compliance programs are by now fairly well understood. It's time to give boards what they need to play an effective, active role in this realm.

WHAT BOARDS SHOULD ASK

1 Is ethical behavior and compliance being visibly supported by the Board and senior execs?

It is important that key compliance actors within the company and reporting chain can be seen visibly supporting good behavior. The "tone at the top" has a huge impact on the success of any compliance effort, and if only the bare minimum is being supported by the Board and senior management, the rank and file will reflect this lack of concern. Incidents will go up, and defensibility will go down.

2 Are there clear and easy-to-use hotlines or other employee reporting methods?

In any organization it's important to allow an employee or customer to report misconduct. In some industries it's also the law. How is that data aggregated, and how are the cases managed? More than this, however, a company has to take the time to educate their workers and customers that hotlines or reporting methods exist and the information they receive will be acted on.

A compliance chief should be able to cite tips and reported violations, and show how they were investigated and either dismissed or used to implement corrective action. When problems are found, what is being done to establish safeguards against future, similar problems? Did you respond to those issues consistently throughout your organization?

3 Do we have a healthy and transparent company culture?

It's important that a culture of retribution not exist for those employees who report problems, either through hotlines or through other HR channels. Anti-retaliation policies and trainings can provide proof that a company cares about doing the right thing, and won't punish those who come forward.

More than that, however, cultural surveys and other like-minded interactions can create a baseline for employee comfort level, views of their work environment, faith in upper management listening to them, and much more. Feedback received through employee focus groups, culture surveys, and knowledge assessments can also shape trainings and other interactions with employees, so that a general feeling of trust exists that gives compliance trainings higher completion rates.

WHAT BOARDS SHOULD ASK

4 Are trainings targeted to counter real-world pressures that data shows are arising?

Targeted trainings, based on the data coming back from a healthy and transparent company culture, can help to make sure that any problematic areas are being proactively managed.

Analytics now allow data to be crunched from payroll, HR, and incident reports to help identify hot spots inside of a company so that targeted trainings can be created. And their completion rates can also be tracked, which can provide invaluable insight into a training or programs effectiveness.

5 Do we have external monitors (like software) or consultants are providing impartial data and/or case management?

Where does data aggregate, and what does it mean? When humans are responsible for gathering and storing data, it can be much harder to see the larger trends, problems, and opportunities that might be hidden within that data.

Today's newest and most powerful software has the ability to serve up information in ways that the Board will find interesting and useful, such as trends by type of incidents being reporting, hotspots that have emerged in particular locations, or certain controls or resources that impacted incident trends. Managers can access information much more easily, and flag things that require senior management's attention.

It's also critical to be able to track the number and type of investigations that took place, as well as what lessons might have been learned from them. But it's not all negative news; be sure you can show any changes in incident trends as policies and controls have started to impact behavior.

REPORT ON WHAT’S HAPPENING

Compliance, perhaps more than most parts of a company, exists inside of today’s news, court rulings, and acts of state and federal lawmakers.

Therefore, start with a quick overview of any relevant laws, regulations, or rulings that have recently come to pass that affect your organization. You can also use this time to reinforce the legal mandates around their duties as officers of the company and what’s expected of them with regard to the compliance program. Some of these will depend on your line of business while some of apply universally.

WHAT TO REPORT

Compliance initiatives are at once universal and situational, covering everything from broad antitheft to nuanced intricacies of healthcare patient privacy practices. Board reports must be clear on the key risk areas and issues facing your company and what you're doing to mitigate them.

Here you'll touch on the most pressing risks facing the company and your industry at large. Look ahead and explain how your company's risk profile may change with new regulations and enforcement priorities. Expansion into new markets or changes in the company's structure (IPO's, mergers, layoffs) can also greatly impact your department, and you can explain what you're anticipating compliance will need in order to meet those changing dynamics.

At the top of the list of things to report, you should share the most recent:

1. **HOTLINE STATISTICS**
2. **COMPLIANCE TRAINING STATISTICS**
3. **POLICY ATTESTATION RATES**
4. **INVESTIGATION REPORTS**
5. **RISK ASSESSMENTS AND CHANGES**
6. **QUARTER-OVER-QUARTER STATISTICAL COMPARISONS**

For good measure, and to align your program report with best practices and regulatory expectations, you should also share:

7. **CULTURE ASSESSMENT REPORTS**
8. **COMPLIANCE-RELATED STATISTICS FROM EMPLOYEE SURVEYS**
9. **IF YOUR RISK PROFILE IS CHANGING, HOW YOUR COMPLIANCE INITIATIVES AND CONTROLS ARE ADAPTING**
10. **WEAK SPOTS, AND HOW ARE THEY BEING ADDRESSED**
11. **NEW TRAINING INITIATIVES AND COMMUNICATION APPROACHES**

Update them on policy changes and the reasoning behind those changes. Tell them about the program's future plans for coming quarter, the coming year, and the next three years.

Technology is allowing for improvements in compliance-related data gathering and predication. If you're company hasn't invested in updating compliance software this might be a good place to mention what's possible, and why it is such a wise investment: good data served up clearly means prediction about future problems. Hot spots can be seen and addressed long before fires break out.

THE DEEPER DIVE

Your report should touch on some or all of these data points:

KEY PLAYERS

The key compliance actors within the company, as well as the reporting chain. Compliance chiefs (read: the person with day-to-day operational responsibility for the compliance program) should have access to the Board and CEO.

CULTURE

How the company is fostering an ethical culture and how leadership supports those efforts.

TRAINING

What training programs are available for different types of employees and what internal communication strategies and vehicles are being used to keep ethics and compliance top of mind across the organization.

LEADERSHIP

What top management is doing to foster a culture of compliance and how the company is leveraging middle management.

INCENTIVES

How compliance plays into executive and management compensation and incentives.

RESOURCES

What you spend on the compliance program, whether that number is rising or falling (and why), and where you'd like to allocate funds moving forward.

ASSESSMENT

The ongoing monitoring and auditing processes that assess the program's effectiveness, including how periodic program reviews are done and how the program has been validated by an independent third party.

PLANNING

Describe your plans for the compliance program during the next year and beyond.

RISK

How the program covers the company's high-risk areas at home and abroad. Make clear how these initiatives apply not only to employees, but also to business partners, vendors, subcontractors and third parties.

RESPONSE

The processes and communication lines the company has established to review compliance violations, how responses are calibrated and what measures have been put into place to stop it from happening again.

OPEN DOOR

Tell the board how your managers are trained to field employee reports, document alleged misconduct and move reports up the reporting chain in a timely manner—as well as the steps in place to investigate them.

ANALYZE
WHAT IT MEANS

At the end of the day, data is just data. For instance, if we pull a company's financial reports, they'd serve as the starting point for a conversation instead of the the end of it. What does the compliance data show? What story is it telling? Where are the places where compliance is coming up short, and what can you do in the next quarter and the next year to address them?

Most important is that you start get to **behavior and incident drivers.** After reporting on what was listed in the last section, you can set about answering ***why?*** And just as importantly, ***what are we going to do about it?***

The annual Compliance Trends Survey from *Compliance Week* and *Deloitte* showed that 35% of CCOs cite data reporting and analytics as one of the top three most challenging aspects of their job, while nearly 1/3 of CCOs aren't measuring the effectiveness of their program **at all.**

A few factors certainly contribute to that challenge, including a lack of:

CONFIDENCE IN IT SYSTEMS' ABILITIES TO FULFILL THE CCO'S REPORTING RESPONSIBILITIES—60% OF SURVEYED CCOS ARE ONLY SOMEWHAT CONFIDENT, OR NOT CONFIDENT AT ALL, IN THEIR IT SYSTEMS

TECHNOLOGY TO HELP MEET REPORTING NEEDS—OCEG'S RESEARCH PEGS 53% OF ORGANIZATIONS USING SPREADSHEETS, DOCUMENTS AND EMAIL AS THEIR PRIMARY GRC TOOLS

CONFIDENCE IN METRICS—42% OF CCOS SAY THEY'RE ONLY "SOMEWHAT CONFIDENT" OR "NOT CONFIDENT" IN THE METRICS THEY USE TO GIVE A TRUE SENSE OF EFFECTIVENESS

This presents obvious problems for a program's defensibility: If you don't know if or how well your compliance initiatives are working, you'll be hard pressed to defend or improve your program.

If compliance wants to consistently and meaningfully contribute to a company's strategic conversations then comprehensive and thorough reporting will need to become a matter of course.

Here are some overly broad and ambiguous metrics that many compliance teams still track—and some suggestions for how to make adjustments or add context to improve their value and utility.

OLD REPORTING METRIC

INCIDENTS | INVESTIGATIONS | RESOLUTIONS

Misconduct reporting and investigation trends are continuously cited by CCOs as one of their go-to metrics for program and risk management effectiveness. Without some additional context, though, they may be missing opportunities to address the cultural, behavioral, or operational factors that enable or exacerbate the misconduct from occurring in the first place.

NEW AND BETTER ANALYSIS

1. Issue trends by location, business unit, organizational title, employee demographics (tenure, salary, etc.).

2. Root cause—*why* are certain types of incidents happening? Did employees not know they were doing something wrong? Did they not care? Did they feel pressure to act out? Did they rationalize the behavior in some way?

3. Number and type of sanctions applied by incident type, location, business unit, organizational title, employee demographics, etc.

4. Relationships between disclosures and incident trends.

5. Impact of training, policies, communication and incentives on number and types of incidents, contributing factors and resolutions reached.

6. Demographic or behavioral trends among involved parties (reporters, witnesses or subjects).

7. Incident trends where active controls or initiatives are in place—how did incident trends shift with new policies, procedures, training, initiatives or oversight? (This can start telling an ROI story of where compliance investment is paying off by surfacing more reports or curbing misconduct.)

OLD REPORTING METRIC

TRAINING INITIATIVES | COMPLETION RATES

As one of the most fundamental components of even the most nascent compliance programs, CCOs often report on the number and topics of the courses they're distributing, completion rates and the results of any related comprehension tests or knowledge assessments.

NEW AND BETTER ANALYSIS

1. Training topics and trends for key risk areas.

2. Training trends (good and bad) by region, business unit, organizational title, etc.

3. Number of disclosures submitted after conflicts of interest or GT&E training.

4. Impact of training rollouts and results on hotline trends.

5. Impact of incentives and communication initiatives on training engagement and understanding.

OLD REPORTING METRIC

POLICY INITIATIVES | ATTESTATION RATES

Distributing policies is nothing new for compliance teams, and as a result this has become a fairly mundane "check the box" activity.

NEW AND BETTER ANALYSIS

1. Policy distribution and attestation trends for key risk areas.

2. Attestation trends (good and bad) by region, business unit, organizational title, etc.

3. Number of policy exceptions and disclosures submitted alongside rollouts of related policies like conflicts of interest, gifts and entertainment, etc.

4. Relationships between policy attestations and training completion/certifications.

5. Impact of policy rollouts on misconduct reporting rates.

6. Impact of incentives and communication initiatives on policy engagement and understanding.

OLD REPORTING METRIC

RISK ASSESSMENT

Many organizations use the results of their risk assessment to prioritize their compliance program efforts—and with good reason, as regulatory guidance continually cites a risk-based approach to compliance as a hallmark of an effective program. But how do compliance teams move beyond using their risk registers as a punch list, to leveraging it for critical context in reporting their effectiveness?

NEW AND BETTER ANALYSIS

1. Risk disposition by location, business unit, organizational title, etc.

2. Risk exposure increases due to incident, disclosure, training, culture assessment or policy trends.

3. Correlation or discrepancies—and analysis of reasons for the relationships—between risk assessment results and bellwethers of a company's cultural environment like culture assessments, incident drivers and more.

PREDICT WHERE IT'S HEADING

Most of what we've covered so far dealt with two things: the past and the present. But new technology increasingly enables compliance to do something it never did before: predict where future problems are most likely to appear, and address them before they can emerge.

FIREFIGHTING VERSUS FIRE MANAGMENT

Compliance, since it evolved out of legal, has often been thought of like firefighting. A good unit is one that can respond quickly to emergencies, limit the damage, and get things back to normal as fast as possible.

Yet today's compliance has the potential to be more like fire management, which does more than respond to emergencies. It takes a much deeper and broader look at the compliance landscape, using data to see what parts of a company are the most vulnerable for problems, and then step in before they arise.

PROACTIVE -AND- PREDICTIVE

By better processing and managing all of the information at your disposal, you can more effectively diagnose and proactively address key risk areas, better prioritize focus, confidently allocate spend and more accurately assess program effectiveness. The board can and should expect a compliance business plan that best accounts for your employees, culture, geographic reach, legal landscape and market conditions. What's more, they'll need help anticipating how changes in any of those factor affect your risk exposure, along with how quickly you'll be able make changes to your program to mitigate the changing risk.

Leveraging new software for better data handling and analysis empowers CCOs to consistently and meaningfully contribute to their company's strategic conversations and business decisions by providing the same breadth and depth of business unit analysis and forecasting as their peers in the executive suite. What's more, confidence in your program can be driven by having detailed explanations readily available and increasing your agility to quickly address rapidly changing risks, regulations and business requirements. So when your board asks, "Why?" and "What next?" you'll know exactly what to tell them.

By improving your access to, understanding of, and communication around critical compliance business data, you can better drive strategic conversations around the future of organizational risk and compliance. Imagine, for example, you could assess how the following situations would affect your risk posture and how you needed to create or calibrate your controls and monitoring accordingly:

- New incentive plan or compensation structure
- Business expansion (regional, product lines, etc.)
- Sponsorship of major event (Olympics, World Cup, etc.)
- Fluctuations in currency and economic conditions
- Change in legal or regulatory landscape
- Change in political landscape
- Technological advancements

BENCHMARKS

A company—and by extension, its Board—will have a hard time evaluating the true effectiveness of its compliance program without understanding what's going on inside of their industry, and inside of compliance as a whole. Comparative data can show how you're doing outside of the narrow focus of a company looking out its own windows.

Your competitors will help to show where you stand in relationship to them, which is critical. But if you're in an industry that has poor compliance that data may be misleading. Benchmarking against other industries can help you to show where your company really stands, and where it can grow to become best-in-breed in its compliance space.

Since strong compliance is directly correlated to stronger economic performance, corporate stability, and employee performance, this is far from an academic exercise. The kinds of actions required to make a company highly compliant are the same kinds of actions that require it to create a strong, capable culture that is dynamically responding to real-world pressures, day-to-day data, employee concerns, and ineffective communication between senior executives and managers, and managers and workers.

For instance: Only 50% of employees report that they are given enough time for training, and 43% don't believe that their company communicates openly and honestly about change. These are powerful benchmarks that your company can use to assess its own communications efforts.

Research also shows a dangerous lack of clarity around reward and development, with less than half of employees (45%) feeling that there is a clear and transparent connection between their performance and their pay, and 43% saying that better performance won't lead to opportunities to progress. This has serious repercussions on retention of talent, your ability to motivate them and their incentive to do things the way you need and expect them to.

The more you can provide these kinds of dual benchmarks—against your competitors and against the overall corporate landscape—the more you can track how you're moving the needle of your compliance program, creating measurable results that show a good-faith effort not just to comply, but continually evolve and improve your program.

THE FUTURE STARTS TODAY

Boards of Directors are business people who have wide-ranging business experience, usually over decades of real-world exposure. They are usually not strangers to investigations and ethics challenges, and may have been part of executive teams or other Boards when a serious investigation or lawsuit happened.

Because of this, they may have great ideas about what can be done, and will be likely to jump behind a well-conceived and data-driven compliance improvement plan. Boards have limited time and attention on any given topic, so the easier you make it for them to say yes to you, the faster the process is likely to go.

HOW TO PRESENT

There is both an art and a science to making good presentation.

Here's an overview of how you can structure your next meeting to make the greatest impact on your Board.

DATA WITH A MESSAGE

Your job is to have lots of data, but the Board only needs to know the bottom line. Pare down the information into clear and concise summaries, such as how many hotline calls you've had, how many have been resolved, or where and why you've launched new policies.

While it is important to deliver a consistent, key set of metrics in each report, it's also important to paint a picture for the board with your data. This demonstrates you understand how to steer compliance, not just manage it.

WHAT IS IT YOU'RE TRYING TO SAY?

DO YOU NEED TO REPORT ON BAD NEWS, AND WHAT'S BEING DONE ABOUT IT?

ARE YOU REPORTING ON LITTLE OVERALL NEWS, WHICH COULD BE A CAUSE FOR DEMONSTRATING YOUR EFFECTIVENESS?

CLEAR, SIMPLE, AND BRIEF

Your staff may help to create a PowerPoint or Excel sheet for your presentation, but be sure the information is tailored for the Board. Your presentation should be little more than bullet points that you can then explain to the Board, rather than data heavy reports or complicated presentations for data.

BAD NEWS IS BIG NEWS

Don't omit or downplay problem areas. To exercise effective oversight, the board should be aware of all significant risks, incidents, and missteps. These happen in every company, no matter how effective compliance is.

After sharing the bad news, let them know you've devised a solution with a corrective action plan and engage the board with it. Since some directors reside on multiple boards, they may have already seen something similar and have good suggestions or feedback for your corrective initiative.

"I DON'T KNOW" CAN BE THE BEST ANSWER

Admitting that you're not sure of an answer to a question is preferable to taking a wild guess or meandering around your mind for a vague answer. If someone asks you a good question you don't know the answer to, let them know it's an excellent question, that you'll find the answer to it, and that you'll report back to them about it. Then do exactly that.

You can't and shouldn't know the answers to all the questions you might be asked. Being prepared for what you don't know is part of being well prepared.

It's also worth noting that professional speech trainers always have their clients practice speaking. If you prepare mentally but haven't actually talked through your presentation, you could be setting yourself up for disaster. Plan your talk, and then practice it.

BE DYNAMIC

Reading material off of the slides you've created wastes time. Speak about what's on the slides, don't read from them. This will keep the Board engaged by the material they can't read, and help you to demonstrate your expertise.

Make sure you're up to speed on current events up to the day. Consider if any of them might impact your company and, if so, what you're doing to stay out ahead of the issue.

CONCLUSION

There's an old adage in good storytelling: *show, don't tell.* What this means is that no matter what your data says, it's up to you to show how this fits into your larger vision for compliance and its growth.

There is a story in your data. Your managers and other staff have likely gathered a lot of impressive information and put that at your fingertips. If you go into your Board presentation and simply give the data, you're telling a very flat story.

Conversely, there is the opportunity to show what the data means to the company, and show how compliance, under your leadership, can create a better and more profitable story for your company.

Convercent's risk-based global compliance solution enables the design, implementation and measurement of an effective compliance program. Delivering an intuitive user experience with actionable executive reporting, Convercent integrates the management of corporate compliance risks, cases, disclosures, training and policies. With hundreds of customers in more than 130 countries—including Philip Morris International, CH2M Hill and Under Armour—Convercent's award-winning GRC solution safeguards the financial and reputational health of your company. Backed by Azure Capital, Sapphire Ventures (formerly SAP Ventures), Mantucket Capital and Rho Capital Partners, and based in Denver, Colorado, Convercent will revolutionize your company's compliance program.