2018 State of Compliance

Getting ahead of the watchdogs:
Real-time compliance management
2018 State of Compliance

pwc

Introduction

The rapid pace of innovation and technological change characterizes today's business climate. Big data, analytics, artificial intelligence, the cloud, robotics, drones, blockchain, 3-D printing—all of them are changing how organizations deliver goods, how they operate internally, and the very essence of their products and services. Opportunity abounds, and, as PwC's 21st CEO Survey found, chief executives are optimistic about global economic growth in the next 12 months. However, with that rapid innovation and growth comes a more expansive and dynamic risk universe, including greater regulatory risk. Indeed, PwC's 21st CEO Survey also found that over-regulation remains a top threat to company growth in every region of the world.

In this increasingly complex and fast-paced environment, stakeholders expect compliance and ethics functions to protect organizations. And it is undeniable that the importance of effective compliance has never been greater. Heightened regulatory enforcement, growing pressures from global movements (e.g., #metoo) and watchdogs such as whistleblowers, activist groups, and investigative journalists are fueling the importance of a strong and responsive ethical and compliant culture as well as more-transparent internal-reporting channels. Compliance failures can cause organizations to suffer huge reputational damage, high customer churn, and massive fines. Conversely, strong compliance and ethics programs can help executives confidently take risks and seize new market opportunities.

To be effective, compliance functions need the agility to adjust to business changes and to the inevitable surprises inherent in a dynamic business and innovation climate. At the strategic level, close linkage to business strategy sets the foundation for a culture of compliance and ethics and for keeping pace with the business (see PwC's 6th State of Compliance Study). Today compliance risk management requires more-responsive and more-predictive processes and monitoring, frequent updates to policies, ongoing training and communication, and high levels of efficiency in order to manage cost while expanding risk coverage. Without a strong technological underpinning to help compliance functions operate in real time, all of these requirements are challenging, if not impossible, to meet.

In this 7th State of Compliance study, PwC sought to understand how technology is helping leading companies become more agile and more effective in their compliance and ethics risk management efforts. PwC polled 825 risk and compliance executives worldwide about their organizations' compliance policies and procedures, training and communications efforts, and monitoring activities; about the technologies that help facilitate those activities; and about the benefits of these elements to the organization.

Notably, our study found that only 17% of respondents are very satisfied with the effectiveness of their compliance programs. We call those respondents *Leaders*. Leaders are driving forward by

implementing progressive practices in all aspects of compliance risk management and by using information and technology to increase program effectiveness. From more-modern compliance infrastructures to more-sophisticated, tech-enabled compliance monitoring, to more-streamlined policy management, to more-engaging compliance training, Leaders are taking the necessary steps to keep pace with their organizations' changing compliance needs.
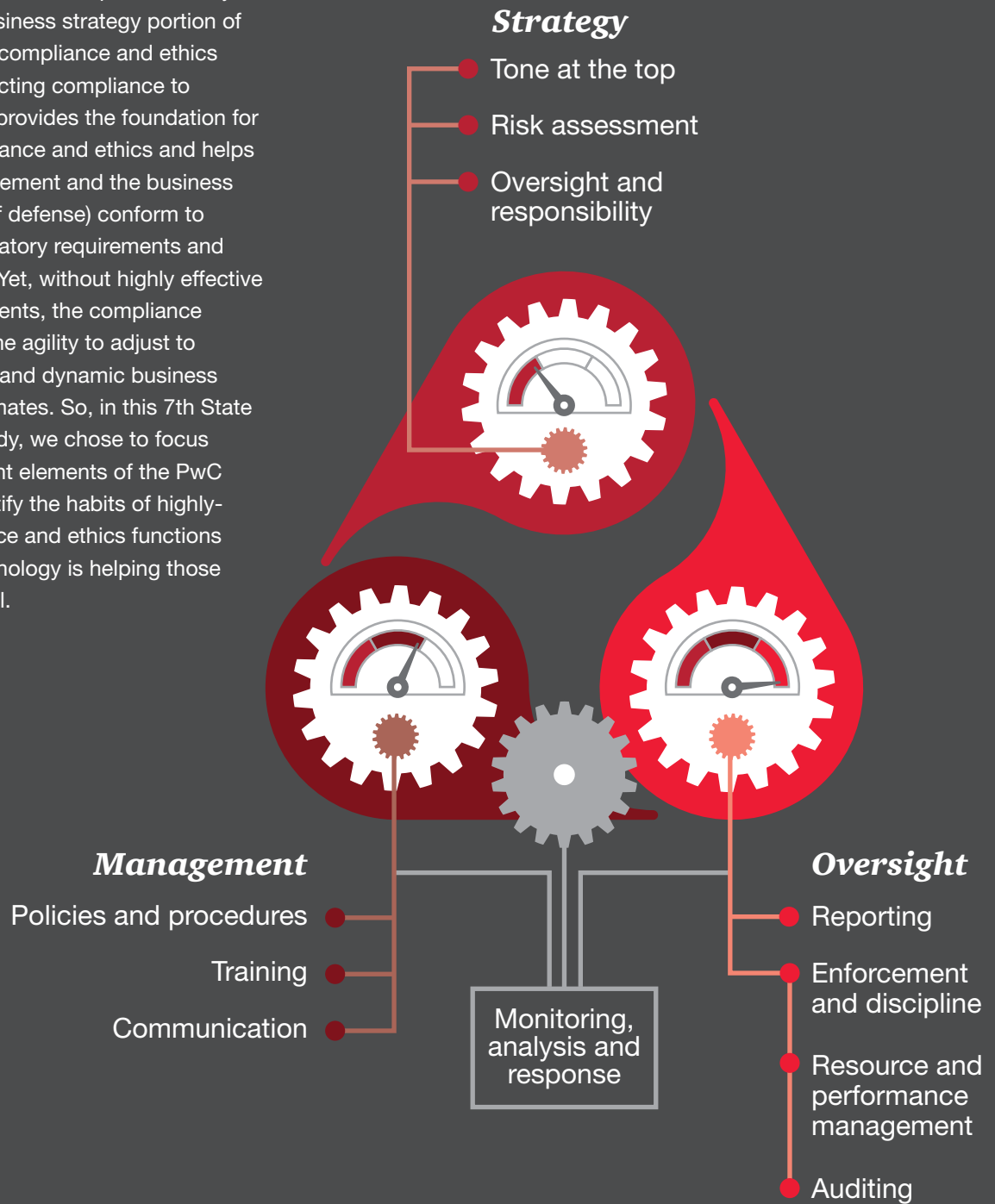
The pages that follow discuss the rising pressure on compliance risk management and provide guidance for both chief ethics and compliance officers and other stakeholders in ways that organizations can achieve greater compliance efficiency and effectiveness in a highly dynamic business environment.

"The increasing velocity of information and the 24-hour news cycle are changing the stakes in compliance."

—Alistair (Al) Raymond, Chief Compliance Officer, Avangrid Service Company

Elements of compliance and ethics effectiveness

In 2016, PwC's State of Compliance Study focused on the business strategy portion of PwC's proprietary compliance and ethics framework. Connecting compliance to business strategy provides the foundation for a culture of compliance and ethics and helps ensure that management and the business (i.e., the first line of defense) conform to all necessary regulatory requirements and ethical standards. Yet, without highly effective management elements, the compliance function will lack the agility to adjust to business changes and dynamic business and innovation climates. So, in this 7th State of Compliance study, we chose to focus on the management elements of the PwC framework to identify the habits of highly-effective compliance and ethics functions and the ways technology is helping those organizations excel.

Strategy

- Tone at the top
- Risk assessment
- Oversight and responsibility

Management

- Policies and procedures
- Training
- Communication

Monitoring, analysis and response

Oversight

- Reporting
- Enforcement and discipline
- Resource and performance management
- Auditing

The current state of compliance risk management: Watchdogs up the pressure

Compliance and ethics functions face continued regulatory pressure from many directions. As organizations enter new geographic markets, keeping abreast of varied and changing regulations is challenging. It's also tough to know exactly what—and how much—compliance risk management will satisfy regulators. As regulatory agencies around the world mature, cooperation between them is growing more sophisticated, calling for the shoring up of compliance programs on a global basis. Plus, regulators are becoming more technologically savvy, using technology tools and expecting companies' compliance teams to do the same. The rapid growth and availability of equity funding for regulatory-technology (regtech) companies shows that both regulators and compliance organizations believe intelligent automation and reporting technologies are critical to the management of growing and changing compliance requirements.

Nowadays, compliance and ethics functions must also deal with new threat vectors that are shaping a higher-stakes global compliance environment. More and more investigative journalists are using big data to spot and expose fraud as well as compliance violations. And third-party agencies are increasingly using technology to identify environmental, governance, or social incidents linked to corporate behaviors. Rapidly escalating grassroots campaigns such as the #metoo movement make strong corporate culture and rapid-response capabilities even more critical.

And enforcement agency whistleblower programs are yet another threat vector, motivating and rewarding employees for speaking out about perceived violations. When a regulator opens an investigation of a compliance violation, the news and information release are typically controlled by the company in question. When the new watchdogs form the genesis of the complaint, the message is uncontrolled, and the speed of onset of an ethical or compliance violation can be shocking and catastrophic. Social media channels and the round-the-clock news cycle can rapidly increase awareness of, and influence public opinion about, the incident—in some cases, even before the company itself is aware.

According to the U.S. Securities and Exchange Commission's 2017 Annual Whistleblower Program Report to Congress, more than 60% of whistleblower reports come from company insiders, and the number of tips is up 21-fold to more than 4,200 in 2017 from 200 in 2011. Incentives are high and growing. An $83 million payout in March 2018 brings the total compensation to more than $262 million since the first award in 2011.

"Who is the compliance professional of the future? We believe that different and diverse talents will be needed. We are not looking to hire just for deep regulatory and compliance experience. While that's obviously still important, we are increasingly hiring people with the skill sets, mindsets and behaviors that will position us for success as we respond to the growing expectations from regulators, the business and our customers."

— Brad Lucido, Chief Compliance & Ethics Officer, Massachusetts Mutual Life Insurance Company

Figure 1: State of Compliance Study 2018 at a glance
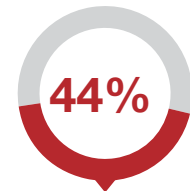
Percentage of total survey respondents

Policies and procedures:

30%
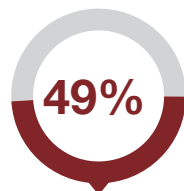review code of
conduct annually

61%
have a single policy
management framework

44%
use policy management
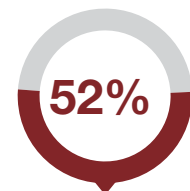technology within the
compliance department

Training and communications:

49%
update compliance training
and communication
programs annually

53%
expect to increase online
training courses (30+
minutes) in the next 3 years

52%
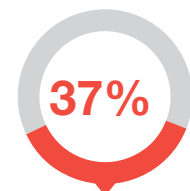expect to do more frequent,
short-form communication
in the next 3 years

Monitoring:

50%
use technology to monitor
employees' compliance
with ethics and
compliance-related
policies and procedures

56%
have gained better
insights/better root cause
analysis from the use of
technology for employee
compliance monitoring

37%
say insufficient budget
to meet additional needs
associated with technology
is a top challenge

Survey respondent base sizes: 412-825

Source: PwC, 2018 State of Compliance Study

The velocity of those growing threat vectors compels companies to revisit their compliance exposure, and bolster their compliance risk management efforts to prepare for and respond rapidly to evolving threats. Our State of Compliance findings indicate just-average progress in the operational areas of compliance risk management (Figure 1), which, given the high-stakes environment, makes a persuasive case for action.

Technology is a primary means by which compliance functions can get ahead of these new threat sources, yet most companies lack the more-sophisticated infrastructure required to support a modern compliance function. Compliance officers often struggle with technology that does not fully meet their needs. Finding resources with the right skill sets is also challenging—particularly because workers increasingly require an understanding of technology, the business *and* compliance. Our survey found that a shortage of skills was, in fact, a top challenge to using technology to manage compliance risk; it was cited by 28% of respondents. Nonetheless, with multiple new, highly-motivated watchdogs now providing their own forms of oversight, the case for strengthening compliance risk management through technology is strong.
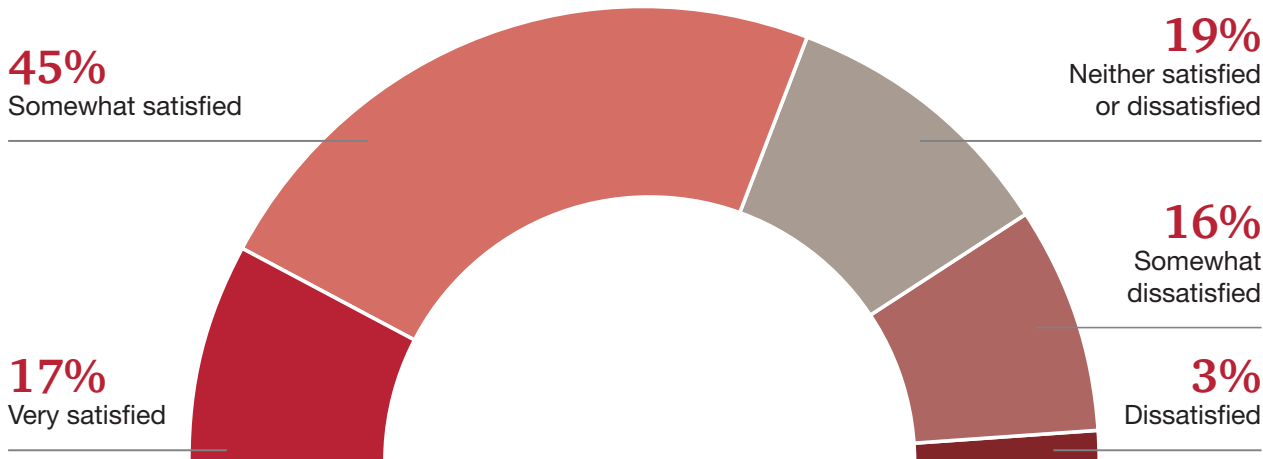
Organizations with effective compliance programs are innovative, optimistic, and building a risk culture

Some compliance programs—a minority in this year's State of Compliance survey—stand out as very strong contributors to their organizations: 17% of total respondents indicated they were very satisfied with the effectiveness of their compliance programs (Figure 2). But even though that subset of Leaders is self-identified as such, our study shows that these organizations do exhibit distinctive behaviors and follow compliance-leading practices and technologies far more often than their Fast Follower or Striver peers. (We named the 45% of respondents reporting they were somewhat satisfied

with compliance effectiveness *Fast Followers* and the remaining 38% of respondents, who were neutral or dissatisfied with compliance effectiveness *Strivers*.)

Leaders know they stand out, because the vast majority (85%) who call their compliance programs very effective also rate their programs well above average relative to the programs of their peers (Figure 3). They also more often report that their organizations are more innovative than peers are. And a large percentage rate their risk management and internal audit programs as highly

valuable, suggesting strong risk cultures overall and contributions from all three lines of defense within their organizations. (See the 2018 State of the Internal Audit Profession Study and 2018 Risk in Review for more information on leading practices in these two areas.)

Along with their higher levels of confidence in the effectiveness of their risk management and compliance programs, Leaders are more bullish about their organizations' near-term performance. A greater percentage of Leaders anticipate strong revenue growth in the next three years than do their less-effective peers.

Figure 2: Current state of compliance program effectiveness

45%
Somewhat satisfied

17%
Very satisfied

19%
Neither satisfied
or dissatisfied

16%
Somewhat
dissatisfied

3%
Dissatisfied

Q: Please rate your level of satisfaction with the effectiveness of your compliance program.
Survey respondent base size: 825

Source: PwC, 2018 State of Compliance Study

Figure 3: Characteristics of effective compliance programs

Leaders

Fast Followers

Strivers

85% of Leaders rate their compliance program as well above average relative to their peers versus 55% of Fast Followers and 19% of Strivers

52% of Leaders say their organization is more innovative than their peers versus 44% of Fast Followers and 32% of Strivers

51% of Leaders say their organization gets significant value from its risk management program versus 35% of Fast Followers and 28% of Strivers

65% of Leaders say their internal audit function contributes significant value versus 48% of Fast Followers and 28% of Strivers

50% of Leaders anticipate revenue growth of at least 5% per year for the next three years versus 37% of Fast Followers and 38% of Strivers

Survey respondent base sizes: 449-925

Source: PwC, 2018 State of Compliance Study

What effective compliance programs do differently: A more-comprehensive and current approach enabled by technology

Organizational attributes such as being innovative and building a strong risk culture are certainly important. But what do effective compliance programs actually do differently? Leaders differ substantially from their peers in many of the operational aspects of compliance risk management—from monitoring to policy management, to compliance training, to communication. Those differences dovetail into a common theme: Leaders take a more-comprehensive and current approach to compliance risk management as enabled by technology.

In an environment with ever-changing threats, perpetually rescoping compliance focus and keeping compliance policies and activities up-to-date are paramount and made much easier with the aid of technology. Following are four ways Leaders execute their compliance risk management activities differently—and all of them involve technology.

Four ways leaders execute differently

1. *Invest in tech-enabled infrastructure to support a modern, data-driven compliance function*

2. *Increase compliance-monitoring effectiveness through analytics and the use of technology*

3. *Streamline policy management to increase responsiveness and boost policy and procedure effectiveness*

4. *Take advantage of information and technology to provide targeted, engaging, and up-to-date compliance training*

"To prevent blind spots and flag exceptions as they occur, we must look to automation and technology to conduct real-time data mining and analytics.

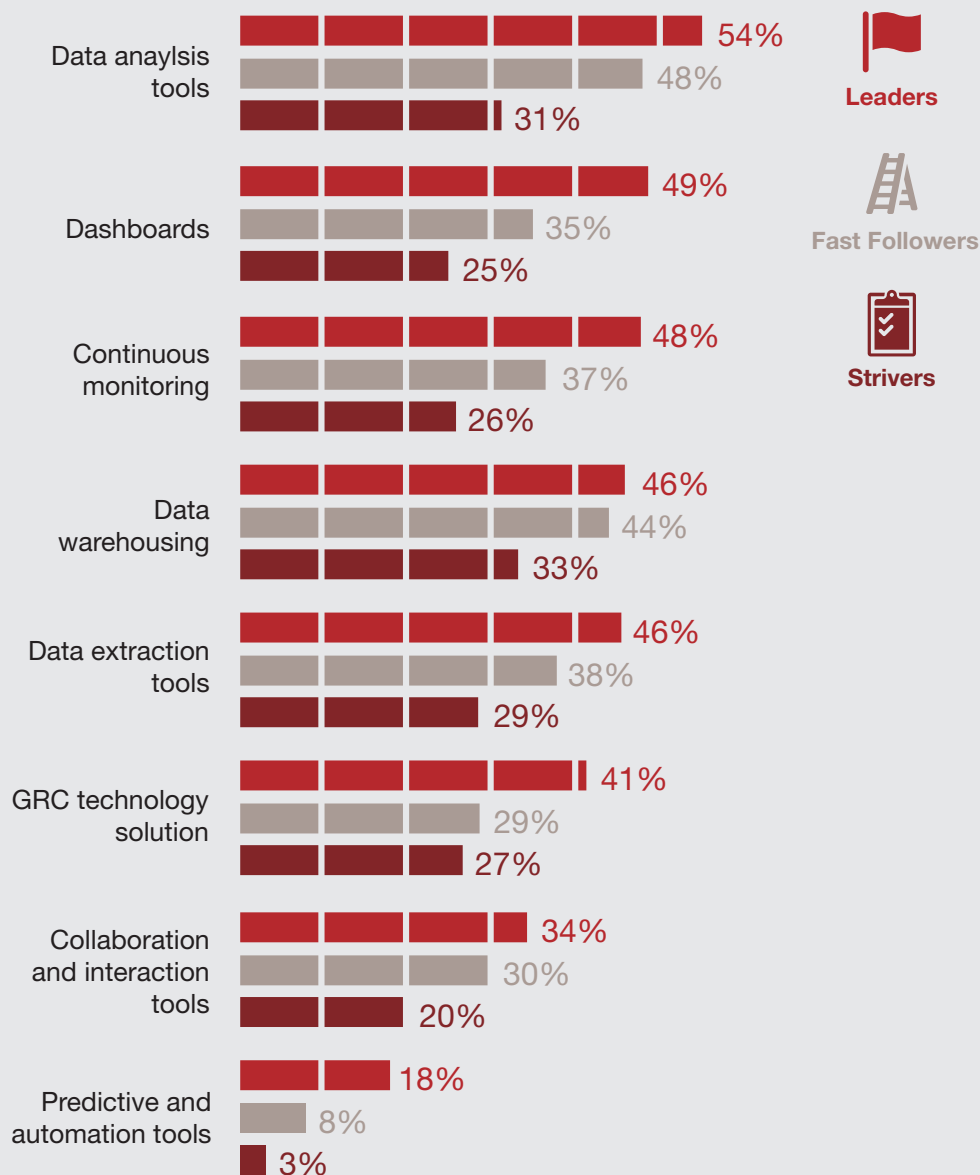— *Karen Griffin, Executive Vice President and Chief Compliance Officer, Mastercard*
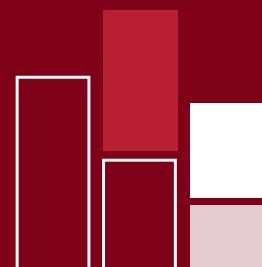
1. Invest in tech-enabled infrastructure to support a modern, data-driven compliance function

Technology helps organizations manage compliance in a dynamic and expansive risk universe. In fact, in highly regulated industries such as banking, the effective use of emerging regulatory technologies—commonly referred to as regtech—will soon separate those keeping pace with regulation and those falling behind. These tech tools not only help companies meet risk and regulatory challenges; they also make organizations more cost-efficient. The use of cloud infrastructure, machine learning, advanced analytics, and natural-language processors—all regtech tools—help organizations quickly analyze vast amounts of data that enable them to (i) gain insights into lines of business and into customer behaviors and (ii) efficiently assess potential compliance issues. Whether they're in highly regulated industries or not, Leaders appear to be following deliberate strategies to build technology infrastructures for the future.

Invest in technology. Leaders more often have various infrastructure elements and tools in place than do their peers (Figure 4). Specifically, they more often use data analytics tools, dashboards, and continuous monitoring than their peers do. Those three are also the top technologies that compliance executives say they believe could be leveraged—or better leveraged—by the compliance function. Forty-six percent of Leaders also have data-warehousing and data extraction tools to support their real-time monitoring and analytics efforts.

Figure 4: Technology tools in place

Data anaylsis tools
- Leaders: 54%
- Fast Followers: 48%
- Strivers: 31%

Dashboards
- Leaders: 49%
- Fast Followers: 35%
- Strivers: 25%

Continuous monitoring
- Leaders: 48%
- Fast Followers: 37%
- Strivers: 26%

Data warehousing
- Leaders: 46%
- Fast Followers: 44%
- Strivers: 33%

Data extraction tools
- Leaders: 46%
- Fast Followers: 38%
- Strivers: 29%

GRC technology solution
- Leaders: 41%
- Fast Followers: 29%
- Strivers: 27%

Collaboration and interaction tools
- Leaders: 34%
- Fast Followers: 30%
- Strivers: 20%

Predictive and automation tools
- Leaders: 18%
- Fast Followers: 8%
- Strivers: 3%

Leaders

Fast Followers

Strivers

Q: Which of the following components of IT infrastructure are in place at your organization to support a modern, data-driven compliance function?
Survey respondent base size: 825

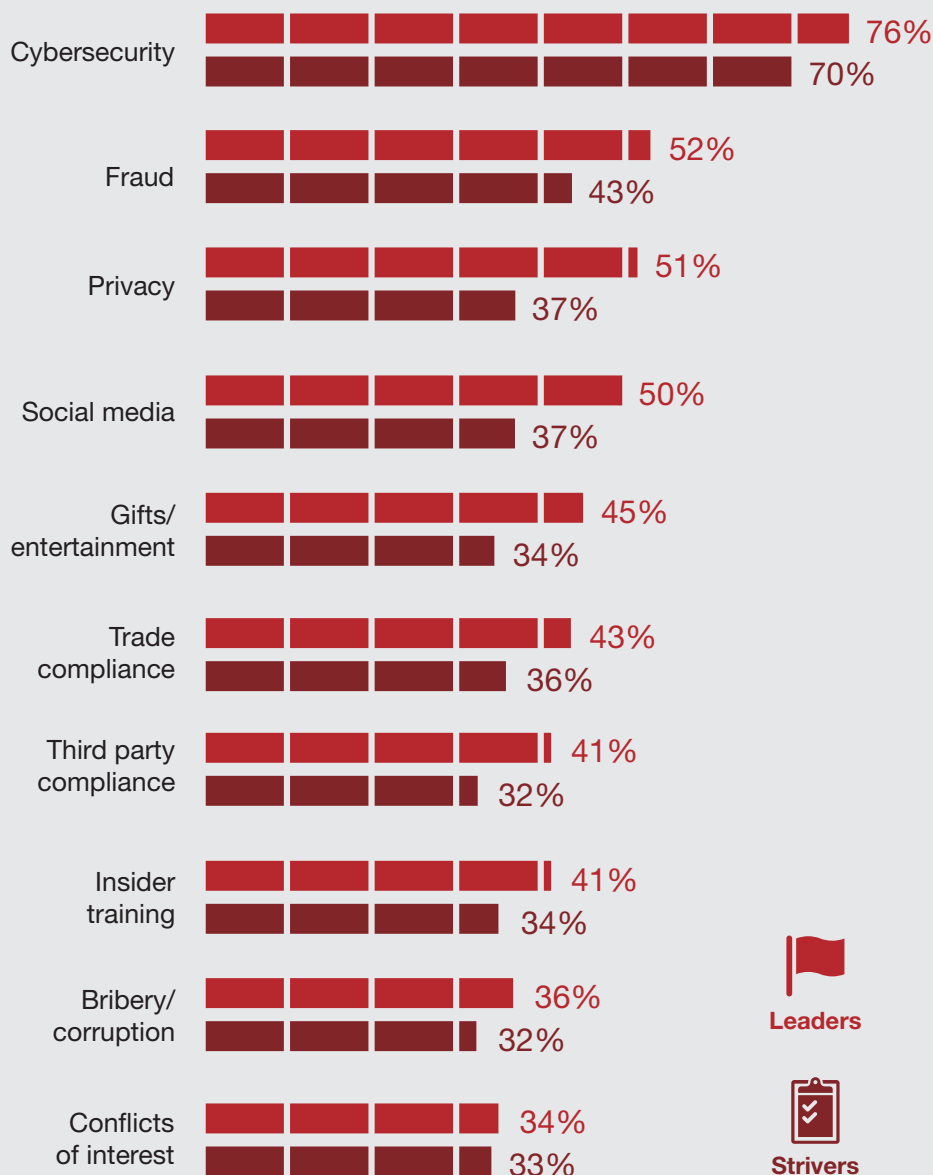Source: PwC, 2018 State of Compliance Study

2. Increase compliance-monitoring effectiveness through analytics and use of technology

Leaders use monitoring technology and glean more benefits from that technology than do Fast Followers and Strivers. The use of analytics to enhance compliance monitoring and automation is becoming necessary in the digital age. Analytics, together with automation technologies, is making the continuous monitoring of employee compliance across many areas of the business far more feasible. Through more-frequent, ongoing monitoring, Leaders become more responsive—and even proactive—at mitigating compliance issues.

Technology-enabled compliance monitoring. Two-thirds (66%) of Leaders use technology to monitor employees' compliance with ethics- and compliance-related policies and procedures, compared with 41% of Strivers. At the risk-category level, Leaders more often use technology to monitor each of the 10 risk areas surveyed (Figure 5). Differences between Leaders and others are especially notable in fraud, gifts and entertainment, privacy, social media, and trade compliance, with a greater percentage of Leaders noting technology use at their organizations for at least intermittent—and often continuous—monitoring in those areas.

Not surprisingly, cybersecurity is the area in which the most organizations by far are using technology to monitor employees' compliance. Only 5% of all organizations say they use no technology to monitor cybersecurity compliance, whereas 49% of Leaders say their monitoring is very sophisticated.

Figure 5: Using moderately or very sophisticated technology to monitor employee compliance

Q: Please rate the level of sophistication of technology your organization uses to monitor employee compliance
Survey respondent base size: 412

Source: PwC, 2018 State of Compliance Study

Recognizing that the use of predictive data analytics in compliance could provide significant value to the business, the Customer Relations compliance team at Massachusetts Mutual Life Insurance Company partnered with the company's data scientists to pilot a model that would help predict the likelihood that a life insurance customer would complain about the services provided by the company in connection with the administration of the policy. The model incorporated a multitude of factors (for example, the customer previously calling into the company's service center) that would help identify certain customers who presented a higher propensity to make a complaint. Once these customers were identified by the model, the compliance team was able to proactively reach out to the customers to assist with any service questions, issues or concerns. Through the proactive reach out to these customers identified by the model, the team was able to reduce the number of complaints during the pilot from customers receiving the proactive reach out compared to other customers who did not receive the reach out. With the success of the predictive model demonstrated during the pilot phase, the compliance team has moved to operationalize the model with confidence that a proactive use of predictive analytics can help reduce customer complaints and enhance the overall customer experience.

Executing on technology-enabled compliance monitoring requires a cross-functional approach. Compliance executives have to better understand available data and data sources at their organizations, partnering with other teams such as IT, human resources, finance, supply chain, and procurement—in the process. Begin by conducting a risk-based prioritization exercise that balances risks with the accessibility of required data. Perform a data-mapping exercise, consider the advantages of establishing a data lake or data warehouse, and use GRC technology and other tools already used at the company. Collaborate with other teams to establish and fill data dashboarding and visualization needs across multiple functions. As always, a focus on the digital upskilling of members of the compliance and ethics team is vital.

"Using data analytics to identify risk is a focus for both regulators and private payers. We want to identify and handle issues before they bring them to our attention."

— *Reggie Hill, Chief Compliance and Privacy Officer, LifePoint Health*

Garner more benefits from monitoring technology. Leaders cite more benefits from technology use than their less effective peers do, which suggests that Leaders generate greater returns on their technology investments. Better insights and better root cause analyses (claimed by 67% of Leaders) are the top benefits cited. Other top benefits include: (i) the ability to respond in real time or more promptly (cited by 62% of Leaders), (ii) help with the identification of outliers or violations in real time, (iii) the minimization of internal compliance risk, and (iv) support of closer collaboration with the business. All of those benefits help the compliance and ethics function more proactively mitigate potential compliance issues and to more quickly respond to issues when they arise.

Companies at all stages of compliance maturity—Leaders, Fast Followers, *and* Strivers—are well-advised to explore and adopt these and other technologies to further their risk management efforts. Compliance executives often find that compliance risk management software—such as a governance, risk, and compliance (GRC) technology tool—is already in place and being used by other teams at their organizations. We suggest starting the journey by conducting a technology needs assessment and identifying current software licenses and technology partnerships within the company. Compliance executives can then take advantage of those existing tools — both internal and external—to better monitor and manage compliance risk and consider the evolving skill set required for compliance risk management in today's business and regulatory environment.

3. Streamline policy management to increase responsiveness and boost policy and procedure effectiveness

Strong policy management is essential. It is the basis for clear and direct communication with employees and for the establishment of consistent and repeatable processes. The February 2017 U.S. Department of Justice guidance speaks specifically to the importance of implementing, monitoring, and assessing policies in the evaluation of compliance program effectiveness.

Leaders take several steps to strengthen their policy management. They more often than their peers keep their codes of conduct, policies, and procedures current and make them more easily accessible across their organizations. They also more often facilitate streamlining through use of policy management software such as that contained in many GRC technology tools. And they measure the effectiveness of policies and procedures more comprehensively.

LifePoint Health implemented a policy management system several years ago which has proven to be very productive in sharing and accessing policies across a distributed hospital network. The system is used by the corporation and its hospitals, which allows the hospitals to use templates provided by corporate. The system's flexibility makes it easy for policy owners, with features such as various system access rights that only enable designated policy owners to change policies. Policy owners providing information about training, auditing and monitoring plans for each policy is also standard procedure. Any new or revised policy goes through the Policy Committee (a committee with representation from across the corporation) and the Compliance Committee (an executive governance committee) for review and approval. Approved policies are then imported into the system by a compliance team member. With the help of technology and process, LifePoint Health can use a single policy framework and repository across the network.
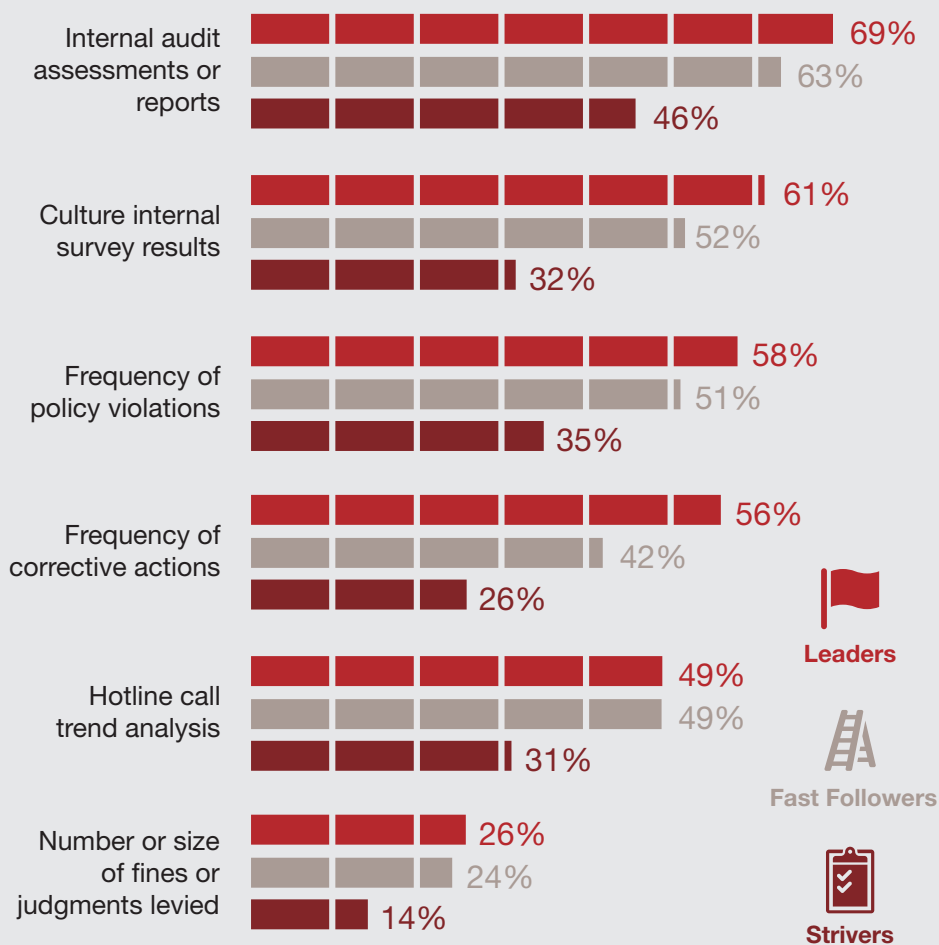
Maintain current code of conduct.
Effective compliance is grounded in an organization's formal code of conduct and documented corporate policies. Leaders more often than their peers update their codes of conduct to stay current with emerging trends. Although less than half (43%) of Leaders review their codes of conduct annually, that figure is 20 percentage points higher than Strivers' figures. And 38% of Leaders review their codes of conduct on an as-needed basis, thereby suggesting much greater adaptability than peers that are on two- or five-year cycles. With the external environment changing at today's rapid pace, that trend toward more-frequent code-of-conduct review has become increasingly necessary.

Institute a single policy management framework. Leaders more often have a single policy management framework that applies to all corporate policies and procedures, including those related to ethics and compliance. Two-thirds (67%) of Leaders have one source for policy management—a significantly higher percentage than that of Strivers (55%). A single policy management framework, with documented policy governance, leads to better consistency and greater effectiveness of corporate policies across multiple areas. Policies are more likely to be kept up-to-date; they'll generally be simpler and easier for employees to understand and, therefore, follow; and policy proliferation will decrease—for the better.

Figure 6: Data points used to measure the effectiveness and ethics and compliance policies and procedures

Internal audit assessments or reports
- Leaders: 69%
- Fast Followers: 63%
- Strivers: 46%

Culture internal survey results
- Leaders: 61%
- Fast Followers: 52%
- Strivers: 32%

Frequency of policy violations
- Leaders: 58%
- Fast Followers: 51%
- Strivers: 35%

Frequency of corrective actions
- Leaders: 56%
- Fast Followers: 42%
- Strivers: 26%

Hotline call trend analysis
- Leaders: 49%
- Fast Followers: 49%
- Strivers: 31%

Number or size of fines or judgments levied
- Leaders: 26%
- Fast Followers: 24%
- Strivers: 14%

Leaders

Fast Followers

Strivers

Q: What data points do you use to measure the effectiveness of your ethics- and compliance-related policies and procedures?
Survey respondent base size: 825

Source: PwC, 2018 State of Compliance Study

Embrace policy management technology. Leaders stand out significantly from their peers in their use of policy management technology within their compliance departments. Nearly two-thirds use technology to facilitate the policy management process compared with 45% of Fast Followers and 34% of Strivers. As LifePoint Health affirmed in our interview (detailed as follows), technology streamlines the development and approval of new policies and enables easy access to policies across the organization.

Solution-specific tools provide valuable features unique to policy management, but companies may want to consider the benefits of a broader GRC platform that can meet their policy management needs in compliance while also helping manage broader risks and controls across the organization's various functions. An enterprise approach might reduce the deployment and training costs associated with multiple—and sometimes redundant—systems while fostering increased adoption rates based on heightened familiarity enterprisewide.

Comprehensively measure effectiveness. Leaders measure policy and procedure effectiveness more comprehensively than their peers do. They more often use all of the data points our survey queried to measure the effectiveness of their ethics- and compliance-related policies and procedures (Figure 6). The most-frequently-used measures are internal audit assessments or reports, culture or internal survey results, frequency of policy violations, and frequency of corrective actions.
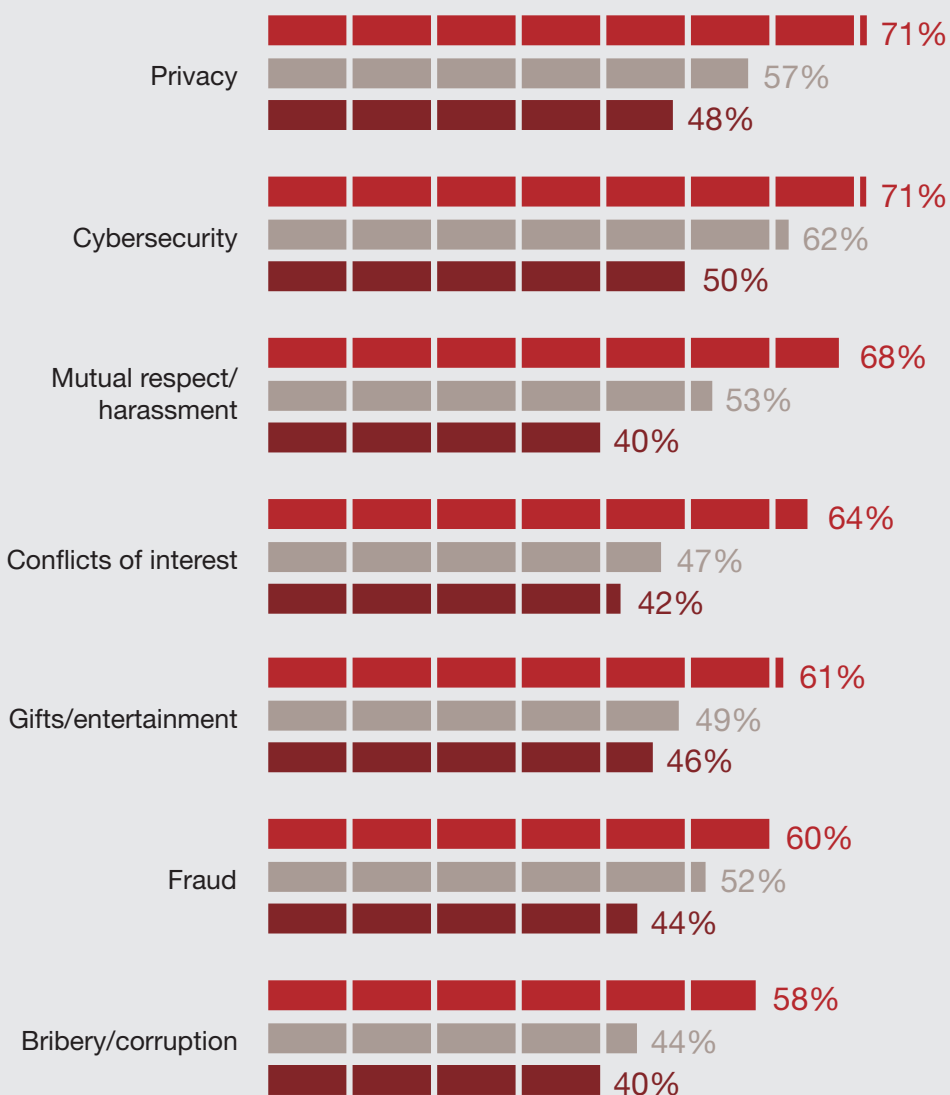
4. Take advantage of information and technology to provide targeted, engaging, and up-to-date compliance training

Compliance training and communications are more comprehensive and up-to-date at Leaders than at Fast Followers and Strivers. Leaders also are more often using multiple sources of information to inform and target their training and think creatively about new ways to digitally engage employees in training activities. All of those actions positively affect their organizations' overall risk profiles. Employees are familiar with the risks and behaviors that are permissible and those that are impermissible, and they're therefore less likely to do things that would place the organization at higher risk.

Conduct thorough and up-to-date training. Leaders tend to address a wider array of risks in training and update that training more often than their peers do. Of the 11 risk areas we queried, Leaders more often cover all of them within general training and communications (Figure 7)—nine of them as part of code-of-conduct training. About two-thirds (67%) of Leaders also update their compliance training and communication programs annually compared with 38% of Strivers.

Among Leaders, compliance training starts at the top. Even though only 49% of Leaders train the board of directors, just 30% of Strivers do. Board training is an area in which *all* organizations can— and should— make more headway. Leaders also more often use engaging methods to conduct their board training, with 51% saying they use live training.

Figure 7: Risk areas addressed in general training and communications for all employees

Privacy
- Leaders: 71%
- Fast Followers: 57%
- Strivers: 48%

Cybersecurity
- Leaders: 71%
- Fast Followers: 62%
- Strivers: 50%

Mutual respect/harassment
- Leaders: 68%
- Fast Followers: 53%
- Strivers: 40%

Conflicts of interest
- Leaders: 64%
- Fast Followers: 47%
- Strivers: 42%

Gifts/entertainment
- Leaders: 61%
- Fast Followers: 49%
- Strivers: 46%

Fraud
- Leaders: 60%
- Fast Followers: 52%
- Strivers: 44%

Bribery/corruption
- Leaders: 58%
- Fast Followers: 44%
- Strivers: 40%

Leaders
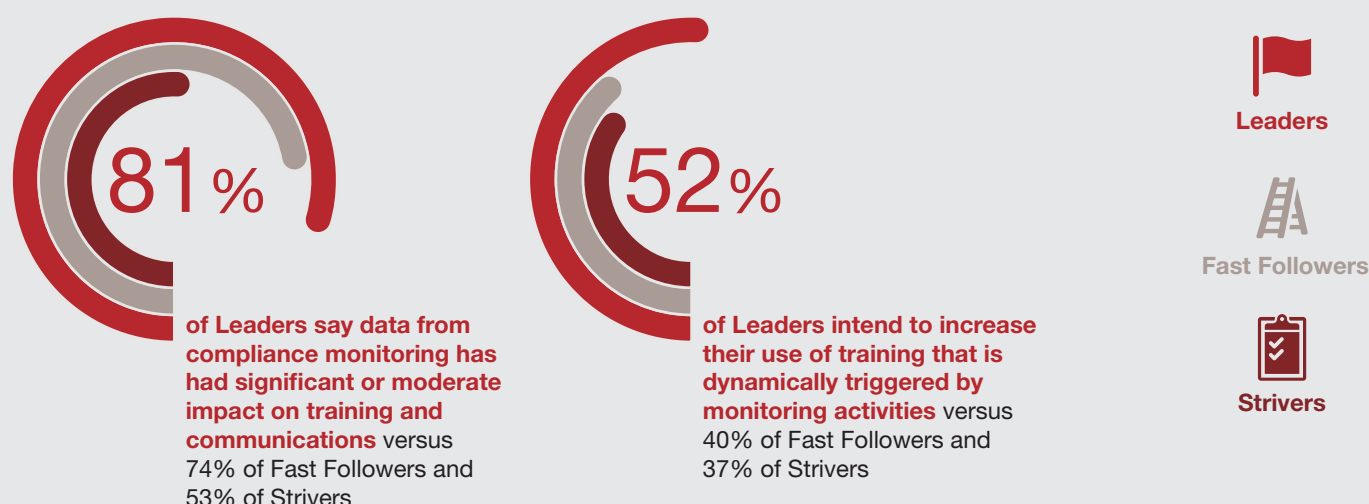
Fast Followers

Strivers

Q: How are these risk areas addressed in your organization's compliance training and communication programs
Survey respondent base size: 741

Source: PwC, 2018 State of Compliance Study

Figure 8: Methods that inform and shape training and communications

81%

of Leaders say data from compliance monitoring has had significant or moderate impact on training and communications versus 74% of Fast Followers and 53% of Strivers

52%

of Leaders intend to increase their use of training that is dynamically triggered by monitoring activities versus 40% of Fast Followers and 37% of Strivers

Leaders

Fast Followers

Strivers

Q: How has data from your compliance monitoring activities influenced training and communication?
Q: Do you believe your organization's use of "Training that is dynamically triggered by monitoring activities (e.g. observed employee behaviors)" will increase or decrease in the next three years?
Survey respondent base size: 741

Source: PwC, 2018 State of Compliance Study

Leverage numerous information sources. Leaders incorporate new information to keep their training as business relevant and risk relevant as possible. Training that is more relevant more strongly engages employees and helps them better remember and adjust their behaviors accordingly. More Leaders inform their training with data from compliance monitoring (Figure 8). And a greater percentage of Leaders than their less-effective peers say they plan to increase their use of training that is dynamically triggered by monitoring activities.

Modify training methods to increase employee engagement. The use of varied training methods better engages audiences and positively affects an organization's risk profile. Science Applications International Corporation

(SAIC), for example, is incorporating shorter, more-frequent forms of training (as further described on page 18). Executives we interviewed at another company are considering high-impact TED-talk-like awareness videos of seven to 10 minutes in length. The development and deployment of mobile apps are also becoming increasingly common in the distribution of compliance content. Apps are seen as effective and low-cost ways of increasing accessibility to employees and of engaging employees in the way many people now commonly communicate. Leaders are following those trends, with a greater percentage of them saying they plan to increase their use of frequent, short-form, anytime-anywhere-, any-device communication than their less effective peers.

Employees have to acquire new skills, adopt new perspectives, and exhibit new behaviors to succeed in the digital age. Companies are challenged to change the ways their workforces learn, think, interact, and solve problems. Such approaches apply to how all employees—including employees in the compliance field—upskill and meet regulatory and policy requirements. PwC's Digital Workforce Transformation approach is more tailored to an individual's needs; it begins by assessing areas where more training may be warranted; and it tailors learning programs to better engage workers.

"Edgy" communications have been effective at Science Applications International Corporation (SAIC) according to Joy Hayes, Chief Ethics Officer. Thought-provoking messages in the everyday language people use, as opposed to the formal style of ethics presentations, have enhanced interest in the subject matter and generated dialogue. "We ran focus groups to be sure they would be well received—it's been done thoughtfully, and it's getting people's attention." In addition, micro-learning at SAIC focuses on the organization's highest ethics and compliance risks, while introducing a "motivational" or behavioral element to SAIC's program. The training, developed in house by SAIC's training experts, reaches employees more often, in "short bursts." Feedback from the front line has been positive (such as better recall, etc.), and even the board is participating in microburst training and assessment. New measurements, based on knowledge assessments instead of completion rates, demonstrate the training's effectiveness. The assessments, which provide immediate remediation if needed, include 10 questions, of which the user must answer eight correctly to pass. To help establish a culture of compliance, managers receive a regular report of non-compliant employees.

Protecting the organization in an ever-changing environment

Compliance officers grapple with an ever-more-complicated risk landscape and ever-changing regulatory requirements. Their role in helping balance risk is growing in importance and complexity as their organizations address new watchdog threat vectors and seize new opportunities generated by technology and business innovation.

Leaders are excelling in this environment by taking more-comprehensive and current approaches to compliance, as enabled by more information and better technology tools. From using dashboards and data analytics for improved decision making, to implementing sophisticated tools for monitoring employee compliance, to implementing policy management technology, to informing training with data from compliance monitoring, Leaders recognize that, through technology, they can keep pace with their organizations' changing compliance needs. Technology enables compliance officers to spot trends before impact and to automate tasks to create efficiencies. As regulators and watchdogs become increasingly technology and data savvy and able to monitor organizations in nearer real time, compliance and ethics functions have to keep pace by using the best tools and information available to protect their organizations and to scan the horizon for new requirements, trends, and risks.

Knowing how to start building a more-data- and more-technology-driven compliance function can be challenging. Technologies and data skills are often already available at most organizations—perhaps in departments outside the compliance function. Completing a needs assessment and identifying existing technologies and skills that could be leveraged are important first steps. In addition to considering areas ripe for continuous monitoring or automation, consider how technology and analytics could improve training delivery and employee retention; keep policies, codes of conduct, and training content up-to-date and accessible; and increase levels of efficiency so that freed resources could focus on new or evolving risks.

Accessing quality data can be a stumbling block, so identifying data needs and sources early may influence the decision regarding which technology applications to prioritize and the speed of adoption once new technology is in place. Growing threat vectors and the higher-stakes global compliance environment are compelling contributors to a business case for technology investment. Also, multiple paths should be considered to maximize returns on technology and skills investments. In some cases, building relationships with third-party providers that offer technology-enabled processes and skilled resources from the outset may be the most effective and efficient strategy.

Finally, effective compliance risk management must be grounded in strategy and business engagement. As we found in our previous State of Compliance study, organizations whose leaders are committed to ethical and compliant cultures more often take actions to embed compliance risk management into both strategy and everyday operations. Such organizations are establishing the right tone at the top; they're assessing compliance and ethics risks along with other risk functions; and they're building governance and oversight structures that give them high levels of confidence in regulatory matters.

In today's high-stakes environment, it's not about checking the box on compliance requirements. It's about focusing on the spirit of regulations and, more broadly, about what's right for customers and communities. That threshold requires a different mindset: one that embraces compliance from the seniormost executives through to the front line. A strong strategic foundation — enabled by compliance technology and talent is more critical than ever in building programs that boost the value that compliance brings, in managing risks stemming from the organization's strategic objectives and in driving cost-effective compliance.

Key actions to consider today

- Complete a technology needs assessment

- Identify technologies and data skills already available within the company

- Prioritize areas in need of technology assistance

- Consider data needs and sources, which may influence the prioritization of areas to technology enable

- Build a business case for technology investment

- Identify process changes to accompany the technology to make compliance risk management more responsive, comprehensive, and current

- Execute against the technology and skills roadmap to evolve to data-driven, real-time compliance risk management

Contact

To have a deeper conversation about how this subject may affect
your business, contact:

Brian Christiansen, *Partner*
Head of Risk Assurance, PwC Denmark
T:+45 3945 9080
E: brian.christiansen@pwc.com

Johan Bogentoft, *Partner*
Internal Audit Solutions & Governance, Risk & Compliance
T: +45 3945 3105
E: johan.bogentoft@pwc.com

To learn more visit
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