

USING METRICS TO MEASURE YOUR FIRM'S CULTURE OF COMPLIANCE



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Introduction



For most financial services firms, the idea of a “culture of compliance” is nothing new. For years, regulators have encouraged firms to adopt a compliant tone from the top, and to weave compliance into the very fabric of the organization at every level. To their credit, most firms recognize the benefits of, and strive for, a strong compliance culture.

A common understanding in many financial services firms is that “compliance culture” refers to a set of shared values, goals, attitudes and practices.ⁱ However, culture is a nebulous concept at best. Those “values, goals, attitudes and practices” don’t have a uniform definition across the industry. With that in mind, how can firms measure the effectiveness of their efforts to create and maintain a culture of compliance? According to KPMG, firms must take three steps to strengthen culture: **Assess, analyze, and improve.**ⁱⁱ

Evaluating the number and type of incidents reported is a start. However, even companies with the best possible company culture experience compliance violations from time to time. Looking at other numbers can help. Your firm is likely already capturing some key metrics that can help you measure your firm’s culture, including onboarding/attrition rates and employee engagement.

The more data that can be mined, the easier it becomes for ethics and compliance teams to unearth where a problem may be brewing or where cultural weaknesses lurk.

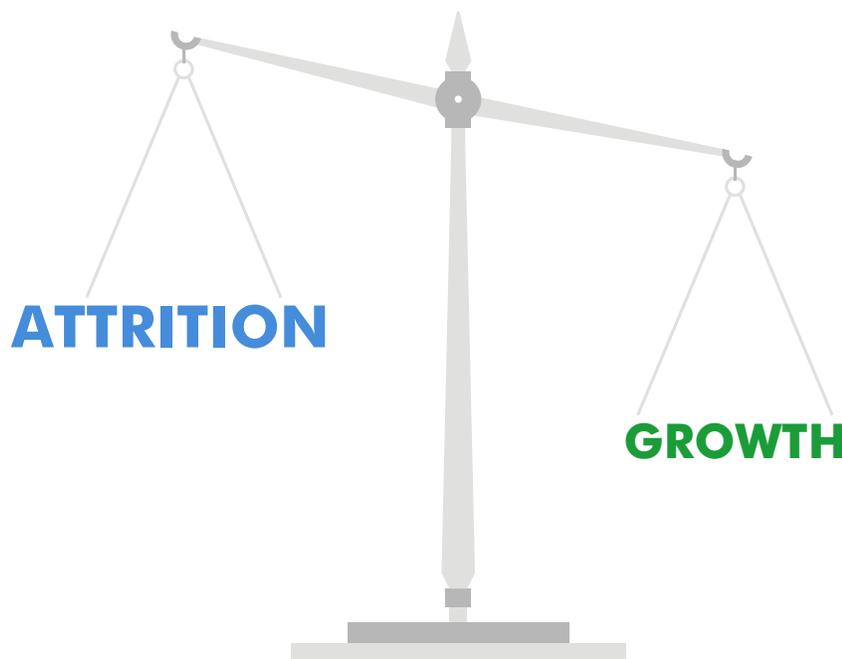
Compliance Weekⁱⁱⁱ

Attrition Rates

How much time and effort is spent bringing new staff up to speed, helping them with registrations, systems access, and training? If your HR, licensing, and compliance personnel are constantly busy onboarding new employees, your firm may be experiencing record growth or may be strategically positioning itself for such growth. Unfortunately, that's not always the case.

If your firm seems to have a revolving door and your onboarding efforts are due more to employee attrition than growth, it could be a sign that there are problems with your firm's culture.

Lowering attrition rates is not easy, and isn't an overnight process. However, identifying potential compliance issues that are contributing to attrition, and addressing those issues, should help. That, in turn, can free up time and resources so your compliance team can focus on other tasks.



Employee Responsiveness and Engagement

Another valuable tool firms have at their disposal is using acknowledgements and surveys. Reaching out to your employee base with a compliance or culture survey can help you determine how effective your compliance program is, signal to employees that you care about the firm's culture, and provide evidence to auditors or regulators that your firm takes compliance seriously.

You can use your firm's RegTech solution to develop and distribute surveys, or partner with a third-party service provider to do so. When annual compliance acknowledgements, certifications, or surveys are distributed to employees, the way employees answer questions and the information they provide can be a gold mine for evaluating culture.

The questions you ask should help you get a better feel for how employees see the company. Some suggested questions might include:

- How do you view [FIRM NAME]?
- Are you aware of rule violations or other misconduct occurring at [FIRM NAME]?
- How likely would you be to report misconduct by another employee?
- Do you feel [FIRM NAME] creates an environment where employees and supervisors follow the rules?
- Have you been asked or encouraged to break company rules or policies, or engage in behavior that conflicts with your values and ethics?
- Do you feel your supervisor, senior management, and the board of directors set good examples for ethical behavior?

Some industry experts suggest firms alternate between compliance culture surveys and compliance knowledge surveys. Instead of how well employees understand their compliance obligations in a *culture survey*, such questions would be better suited for a separate *knowledge survey*.^{iv}

Whatever questions you choose to use in periodic compliance or culture surveys, look beyond the content of survey responses. What's your on-time response rate for employee acknowledgements and surveys? Does it vary significantly from one department or division to another? Have response rates changed over time?

Most firms, no matter how strong their culture, will always have "stragglers" who need reminders about deadlines for certifications, surveys and acknowledgements. Still, evaluating the timeliness of employees' responses and completion rates, in addition to evaluating the underlying content of the survey responses, can help you measure culture in your firm.

What Does a Strong Compliance Culture Look Like?

Strong cultures have two elements: A high level of agreement about what is valued and a high level of intensity with regard to those values.

Deloitte^v

In firms with strong cultures of compliance, leaders recognize the potential risks, costs, and reputational harm that compliance issues can bring, and seek ways to actively mitigate those risks. A culture of compliance starts with funding the compliance department appropriately, both in terms of human resources and technology solutions. Employees in these firms, knowing that compliance is a priority rather than just a buzzword, feel comfortable reporting misconduct and potential violations. This, in turn, serves to further strengthen culture.

Conclusion



Instilling a speak-up culture is not just the responsibility of the ethics program alone; it's an enterprise-wide responsibility.

Compliance Week^{vi}

Executive leaders, and not just compliance department employees, should embody a strong compliance culture. Those at the helm of any company can influence behavior in rank-and-file employees simply by establishing a compliance tone from the top, and ensuring messaging is clear, consistent, and continuous. Some firms have found success by incorporating and tying compliance behavior to compensation, incentive rewards, and promotions.^{vii} In doing so, employees can see a direct tie between doing what's right and being rewarded for doing so.

Evaluating various metrics, including employee retention and survey response rates, can give your firm additional insight into the effectiveness of its culture-building efforts. Consider how these numbers have changed over time, for better or for worse, as you determine whether your compliance department has the resources it needs.

About ComplySci

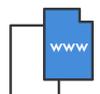


ComplySci is a leading provider of technology solutions that help compliance organizations identify, monitor, manage and report on conflicts of interest arising from employee activities, including personal trading, gifts and entertainment, political contributions, outside business affiliations, and other code of ethics violations.

Founded in 2003 by early pioneers in the development of automated compliance management solutions, ComplySci is now trusted by over 1,100 customers, including some of the world's largest financial institutions. Compliance Officers rely on ComplySci's scalable and sophisticated platform to stay ahead of risk.

To learn more about ComplySci, please visit www.complysci.com.

Resources



- i. Tips on Using Compliance Culture as a Key Measure of Program Effectiveness, Strategic Management Services, LLC, <https://compliance.com/industry-news/tips-using-compliance-culture-key-measure-program-effectiveness/>
- ii. Approaching the Crossroads of Conduct and Culture, KPMG, <https://assets.kpmg/content/dam/kpmg/us/pdf/approaching-the-crossroads-of-conduct-and-culture.pdf>
- iii. Using Metrics to Gauge Company Culture, Compliance Week, <https://www.complianceweek.com/news/news-article/using-metrics-to-gauge-corporate-culture#.XFw6sFxKjIV>
- iv. Strategic Management Services, LLC, *supra*.
- v. Corporate Culture: The Center of Strong Ethics and Compliance, Deloitte, <https://deloitte.wsj.com/riskandcompliance/2015/01/20/corporate-culture-the-center-of-strong-ethics-and-compliance/>
- vi. Compliance Week, *supra*.
- vii. Building a Culture of Compliance, IBS, https://www.qualitymag.com/ext/resources/files/white_papers/BuildingaCultureofCompliance-IBS.pdf