Connecting Compliance to Business

Adopting a Compliance Journey
Agenda

Business risks and impacts
Challenges to Compliance Maturity
Compliance Maturity journey
Case study in Compliance success
A peek at Brain science in action
Poll Question

What is a potential risk or impact to the business from non compliance?

1. Fines and penalties
2. Poor employee moral
3. Damage to company brand
4. Decreased financial performance
Potential Business Impacts - Legal

**DOJ criminal fines and penalties** collected in a year (2015)

**Tyco International - settlement**
Illicit payments to foreign officials in more than a dozen countries

**Eli Lilly - settlement**
Improper payments its subsidiaries made to foreign government officials to win business in Russia, Brazil, China, and Poland.

**Allianz - settlement**
Improper payments to government officials in Indonesia resulted in $5.3 million profit

**BP - fine**
Required to retain an ethics monitor to improve BP's code of conduct
Compliance Business Risks - Safety

“These numbers underscore the urgent need for employers to provide a safe workplace for their employees as the law requires.”

Thomas Perez, U.S. Secretary of Labor

The number of workers who die every day on the job (US). ³

13

The cost of all disabling, nonfatal workplace injuries ²

$61.9 billion

$15.1 billion

$1 billion

What U.S. employers paid for “overexertion/bodily reaction” making them the most expensive nonfatal injury ¹

What U.S. employers spend more than weekly on serious, nonfatal injuries. ⁵
Observations of Cultures

Misconduct is four times more likely to be observed in weak ethics cultures when compared to strong cultures.

Culture Deficiencies

- Reward system with incentives that lead to unethical and illegal behavior
- Pervasive and unchecked behavior
- Failure to embrace an ethical and compliant culture

Wells Fargo - fined $185 million
5,300 employees were fired
Financial and life-changing consequences
Overcoming Inertia: Challenges

- Lack of Perceived Value of Compliance
- No Executive Buy-in
- Need for Compliance vs. Benefits of Compliance
- Deeply Ingrained Culture
Getting started: The Journey

- Align Risks to Business Goals
- Be Relevant
- Identify Risks
- Be Strategic with Training
- Get Leadership Buy-in
- Develop Metrics
Poll Question

According to a recent Harvard Business Review study, what is the most important leadership competency?

1. Flexibility to change opinion
2. Open communication
3. High ethical and moral standards
4. Provides goals and directions with loose guidelines
Leaders

Recent HBR research with 195 leaders in 15 countries over 30 global organizations.

Top competency (65% chose this)

A  Ethical and Moral Standards
B  Clearly Communicating Expectations
C  Business Execution
D  Collaboration and Inclusiveness
The Top 10 Leadership Competencies, Grouped Into Five Themes

When 195 global leaders were asked to rate 74 qualities, these rose to the top.

<table>
<thead>
<tr>
<th>PERCENTAGE OF RESPONDENTS</th>
<th>Description</th>
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<tr>
<td><strong>Strong ethics &amp; safety</strong></td>
<td>67% Has high ethical and moral standards</td>
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<td><strong>Self-organizing</strong></td>
<td>59 Provides goals and objectives with loose guidelines/direction</td>
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<td><strong>Efficient learning</strong></td>
<td>56 Clearly communicates expectations</td>
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<td><strong>Nurtures growth</strong></td>
<td>52 Has the flexibility to change opinions</td>
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<td><strong>Connection &amp; belonging</strong></td>
<td>43 Is committed to my ongoing training</td>
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<td>42 Communicates often and openly</td>
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<td>39 Is open to new ideas and approaches</td>
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<td>38 Creates a feeling of succeeding and failing together</td>
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<td>38 Helps me grow into a next-generation leader</td>
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<td>37 Provides safety for trial and error</td>
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Compliance Maturity Model

Stage 1: Awareness of compliance requirements

Stage 2: "Check in the box" to meet the minimal requirements

Stage 3: Top-down behavioral change

Stage 4: Self-driven behavioral change

Stage 5: Full integration of compliance and business strategy

Rules-based investments --- Values-based investments

Phase 1: Training
Phase 2: Behavior & Culture
Phase 3: Strategy
Service & Support
Newalta, a case study in compliance success
The Newalta Journey

Newalta provides cost-effective solutions to oil and gas customers to improve their environmental performance with a focus on recycling and recovery of products from exploration and production waste streams.

Assessing Organizational Strengths
- Leveraged Safety Culture
- Call to action by Executives
- Operations Focused on Safety
- Critical for customer retention/acquisition

Engage Key Partners & Stakeholders
- IT, EH&S, Operations, and HR

Reinforce Through Accountability
- Safety meeting announcements
- Monthly completion reports (EHS, HR, Ops Leaders, Executives)
- Reminder emails
- New hire onboarding
Newalta Results

2014
• 62% Completion Rate
• 1.4 Recordable Injury Rate
• 0.1 Lost Time Injury

2015
• 95% Compliance Completion Rate
• 1.0 Recordable Injury Rate
• Zero Loss Time Injury
Changing Behavior with Training
Changing Behavior

To design the best learning experiences we need to understand and respect the neuroscience of learning

• Can’t learn effectively through “binge education”
  • The hippocampus retain only 20 minutes of information before it has to be pushed into short term memory
  • Spacing and reflection time are key
  • “Short learning bursts” are optimal for retention ➔ micro approach

• Learners needs 3 things: relevance, meaning and emotion

• Creation of memory hooks is critical: meaning and connection must be established
  • Storytelling engages both sides of the brain ➔ linkage between emotion and cognition

• Focus is key: only with focus can the hippocampus “start recording” ➔ minimize friction

• Attach learning to schemas / patterns that already exist in the learner’s brain
  • Scenarios and workplace simulation help explain the abstract in concrete ways that connect to learners existing schemas
Learning solutions

- Multiple modalities
- Using micro learning as memory boosters
- Relevance, meaning and emotion
- Content presentation based on modern learners’ preferences
- Meaning and connection
Modern and Engaging New Approach

- Realistic, innovative scenarios engage users and simply concepts.
- Host employs authoritative yet conversational style.
- Relatable strategies for addressing real-world challenges.
- Content addresses federal law and state requirements in CA, CT, and ME.
- Briskly paced for the modern learner.
- On-screen text highlights key messages.
What have we learned?
A people-centric compliance culture can help organizations reach important goals, such as revenue growth, cost and risk reduction, and improved safety.

The risks of failing to adopt a compliance culture may result in injury, illness, employee death, loss of employment, loss of company value, criminal and civil penalties and even company collapse.

Adopting a compliance journey requires executive level buy-in. The journey starts with identifying and prioritizing risks, and aligning them with key corporate objectives.

The journey continues by rewarding employees for proper behavior and providing them with a sense of belonging to something bigger than themselves, something they can be proud of. Developing a mature compliance culture will help your employees live a richer, fuller life, and the company will be more profitable and successful.
Think. Research. Contact me.

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