

How to Create a Compliance Culture

Guide for Chief Compliance Officers



Compliance is more critical than ever

Compliance has always been an issue that affects companies, but recent events like the global financial crisis have put the spotlight on governance in the finance industry.

Today, organisations across the board are under pressure to ensure greater transparency and accountability for compliance. According to **Thomson Reuters' Cost of Compliance Report**, 74% of compliance professionals worldwide believe the focus on managing regulatory risk will increase in the next 12 months.

The personal accountability factor

Compliance officers are now facing heightened concerns over personal liability following the introduction of the **Senior Managers and Certification Regime (SMCR)** to the financial services sector. It was implemented for the banking sector in 2016, and was extended to the insurance sector in December 2018 then all financial sector firms by the end of 2019.. Therefore it comes as no surprise that 54% of compliance professionals expect personal liability to increase in the next 12 months, according to a report by **Thomson Reuters**.

SMCR incorporates a duty of responsibility, whereby Senior Managers may be deemed to be guilty of misconduct if a regulatory breach takes place in their area of responsibility and they aren't able to provide evidence of having taken reasonable steps to prevent it.

Over the past three years 22 of the 49 enforcement notices issued by the FCA were to individuals (45%) as opposed to firms. This highlights the FCA's increased focus on individuals being held personally accountable for corporate misconduct .

The people dimension

The trend towards personal accountability makes it all the more vital for organisations to be 100% compliant. A firm's biggest risk to attaining and maintaining compliance is its people. The most expertly drafted policies and procedures, and well-considered controls are all useless if your people fail to understand or comply with them.

Non-compliance can manifest itself in unintentional and deliberate acts. On the unintentional side, the risk factors are employees not understanding the importance of compliance or how the rules relate to their role. Compliance failures can also be the result of unclear, incorrect or ineffective messaging from the top, or poor training.

Attaining 100% compliance is an enormous task and responsibility for any company. It is impossible for you to eliminate non-compliance altogether, especially if an employee decides to commit acts deliberately. Training staff and making sure that they are aware of their responsibilities, the firm's expectations and the consequences of non-compliance are key. Mitigating the risk of unintentional non-compliance is one step towards compliance that a firm can achieve, as it is within its gift to control.

Technology solutions are making this task far easier by simplifying both compliance training and monitoring. Learning Management Systems (LMS) enable the delivery of targeted, engaging and up-to-date compliance training. They help those who are ultimately responsible to keep track of who has - and, critically, who hasn't - completed training with quick access to data and reports.

In this eBook, we explore the key challenges that the compliance function faces in its quest for 100% compliance. From developing training programmes and messages that effectively embed the appropriate behaviours to creating a compliance culture and eliminating administration headaches around compliance monitoring, we discuss how technology solutions and good practices can help to mitigate the risk of non-compliance.

Challenge 1: Engaging your staff with compliance training

Compliance fatigue is a problem that many companies face. The biggest challenge in engaging employees with compliance training is that compliance is not their job.

As human beings, we focus our work on what we are being judged on and remunerated for. For example, if you are employed to sit at the counter in a retail bank, your job performance will be determined by day-to-day task efficiency and the level of customer service you provide. Your bonuses will likely be based on how you score in customer satisfaction surveys. And those are the areas where you will focus your attention.

The secret to engaging people with compliance training is to make the content applicable to their role. Otherwise, they simply won't be interested - and why would they be unless they see how it applies to them?

Employees need practical examples that show them what their responsibilities are from a personal perspective. It is not their job to know the names of every law or act. The relatability of the training to the role is essential. As soon as staff see how it relates to their job, they will naturally become engaged.

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This is where technology-based compliance training solutions prove valuable. Companies have the option to create bespoke training content that is fully personalised to their organisation. This means using the name of the company, the names of its policies, the terminology it uses and even the names of specific individuals within the business. All this helps to put the training into context for staff and give it meaning.

The challenge for many of those who work in compliance is that they often aren't given the personal responsibility of choosing the training courses. It falls to HR, under the learning and development (L&D) remit, or procurement to source and appoint a training provider. The trouble is that neither HR nor procurement have the subject matter knowledge to be able to make an informed decision. From an HR L&D perspective, it may be tempting to go for the bells and whistles option with lots of videos, games and other interactive components. And procurement may focus mainly on price. However, ultimately engagement will come down to the quality of the content.

It is crucial for the compliance function to lead the way in choosing the training, not least because they have the relevant expertise to determine the quality of the content, but also because they are the ones who will be held personally liable for non-compliance. Furthermore, if they have had no role in selecting the training, they may be disengaged with it themselves. And if they aren't excited about it, how can we expect our staff to be?

Beyond making the content meaningful, there are other ways in which training can be made more engaging. **Research** shows that the use of varied training methods engages audiences and positively affects an organisation's risk profile. Short videos and apps make it easy to access content at any time and anywhere, which reduces the barriers to completing training. Sometimes, just giving people a choice can be enough to make a difference. While some employees may prefer desktop learning options where they can complete training at their desk, others may prefer mobile learning options that allow them to choose when and where they learn. We all learn in different ways. By broadening the options, we give people a chance to learn in a way that is better suited to them.

The purpose behind compliance training is to change people's behaviour, knowledge or both - and it's on this basis that training programmes should be reviewed. How do we inspire people to be compliant? You can't roll out the same messages year after year - that's not training, it's awareness-raising. Training needs to be refreshed to make it different and exciting. Simply using an example of a recent fine that is relevant to your company's sector to illustrate a point can be enough to make it feel current. Again, this comes back to making the training content relevant and meaningful for staff.



Challenge 2: Embedding compliance in your company's culture

Learning is hard, but forgetting is easy. The real test of any learning programme is in how well people retain the knowledge they have learned.

The reality is that poor training can lead to unintentional non-compliance. As we discussed in the previous section, whether people retain the knowledge they gain from the training will come down to the extent to which the topics are tailored to the specific employee and provide meaningful impacts.

If you can't get your staff to understand why compliance is important to them, their customers, the company and the industry, then it won't become part of your everyday business culture. For example, banking staff need to be taught not just how they can prevent money laundering, but why they need to prevent it. Get them to appreciate that money laundering is not just something that drug overlords and corrupt dictators are engaged in, but something that raises and sustains crime around the world, deprives countries of tax revenues, and delegitimises our business.

Communicating to employees that their role is to help the business in preventing this, and telling them that the training is designed to help them understand how they can help the business to achieve that goal, becomes an empowering statement. When you can get employees thinking about their shared responsibility for the cause - you'll get their full attention.

This all comes back to the importance of having the right people pick the right training programme. If it's not the compliance function choosing the provider, you're not going to get people to engage, and you're not going to embed a compliance culture because the people picking the content don't understand the importance behind it.

Beyond the training itself, there are other ways in which a firm can support its staff in being compliant. Applications like a Gifts and Hospitality Register make life simpler for employees and their approving manager by making it easy to record gifts and hospitality, streamline the approvals workflow, and flag up potential issues and suspicious activity. Similarly, conflict of interest forms can be sent out annually and recorded.

Other tools and documentation that answer employee questions and trigger memories around specific processes can also help people to be compliant. The development of mobile apps is becoming increasingly common in the distribution of compliance content, making it easy for employees to access instant answers to questions they may have about the rules. For new regulations like the General Data Protection Regulation (GDPR), these tools can prove especially useful as people get to grips with what they mean for them in their roles.

Challenge 3: Making compliance management more efficient

The compliance officer's work doesn't end with just delivering the training courses. They have to monitor employees' progress and the effectiveness of their training programmes continually. They also have to be alert to 'red flags' - those individuals who could present a risk.

A **survey by Deloitte and Compliance Week** suggests that the most common way to evaluate compliance training is by measuring how many people complete it. However, measuring completion rates tells us nothing about the quality of training or how effective it is - i.e. how much employees actually learn and put into practice. You can go to the Board and say that 95% of employees took the training course in the first month of it being issued and they all scored somewhere between 80% and 100%, but this doesn't tell us anything meaningful about how compliant you are as a business.

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What compliance officers really need is confidence that those who have completed the training know what they are doing. This is why some training courses incorporate confidence vote buttons. If the compliance officer can see that an individual got an answer wrong but they were very confident that they got it right, then this clearly signals an issue.

Measuring how long it takes for people to complete the training can also provide useful insights. If someone whizzes through exceptionally quickly, you might question how much attention they were paying. Equally, if it takes someone a suspiciously long time to complete, this may signal that they struggled with the content. Both cases may be red flags for non-compliance. It is also useful to see which questions or areas people are failing on. This may indicate a weakness in the training programme that needs addressing and may even prompt the compliance function to do a face-to-face training session on that particular area.

There's also debate over how close together the training and assessment should be. Arguably, if the assessment is taken directly after the training, what you are doing is assessing the ability of people's recall rather than their ability to learn and understand compliance. However, if the questions are asked six months after the training programme and answered correctly, you can be confident that the employees have successfully embedded the knowledge and the training has worked.

Technology solutions like LMSs are making it easier to monitor compliance. **PwC's State of Compliance** study showed that 66% of compliance officers are using technology to monitor employees' policy compliance.

When it comes to reporting, organisations across the board are under pressure to provide absolute transparency around compliance, whether to meet government regulations or industry standards or maintain qualifications and certifications. Compliance officers will often have to generate reports on a regular basis, and an LMS is instrumental in saving time by allowing access to data at a click of a button. However, as we have alluded to throughout this section, for an organisation to truly demonstrate compliance, an LMS must offer more than just a list of courses with ticks next to each employee's name.



Challenge 4: Reducing the barriers to training

The risk landscape is constantly evolving and organisations need to keep pace with changing compliance needs. We are in the midst of change to governance, risk management and compliance (GRC) issues.

Political uncertainty hangs over many countries. In the UK, Brexit negotiations are reaching a climax, yet we are still no closer to understanding exactly what these will mean from a regulatory point of view.

Then there's the planned extension to SMCR, which will affect the most senior management at regulated firms. A specific training package on the subject will be just the ticket for many, but, for those who want to go deep into key messages or give special attention to specific roles, a tailored programme may be more appropriate. Just like the GDPR, companies need to be ready to engage in effective training programmes to ensure their staff have the right knowledge and understanding to adhere to the new rules.

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Of course, we shouldn't update our training content only when new GRC issues arise. Whenever there is a policy change in the organisation, the training content needs to be reviewed and updated. Some companies also leverage data from compliance monitoring to update their training programmes. Then there are general updates required to keep the training fresh year after year. According to the **PwC State of Compliance** report, 49% of organisations update their compliance training and communication programmes annually.

All of this means that it's important to consider carefully which training platform you are using, as this will affect the amount of time that you have to spend updating the training material as necessary. Ensuring that employees are receiving the most accurate and up-to-date information is essential. Digital systems are far easier to update than manual training programmes, and the on-demand nature of an LMS means that everyone can access up-to-date information immediately. However, it's important to consider how easily your chosen platform allows content to be updated.

Challenge 5: Making training inclusive to everybody

If we want to achieve 100% compliance, it goes without saying that the training needs to be accessible to everyone. This includes employees with visual or hearing impairments or learning difficulties. However, it also needs to be inclusive, and that's something different.

Making training inclusive means allowing people to see examples of themselves in the content. Not every employee is a straight, white, single male or female, and nor are they all able-bodied. In 2020, training should be inclusive. It goes back to the importance of engaging people by making it real to them.

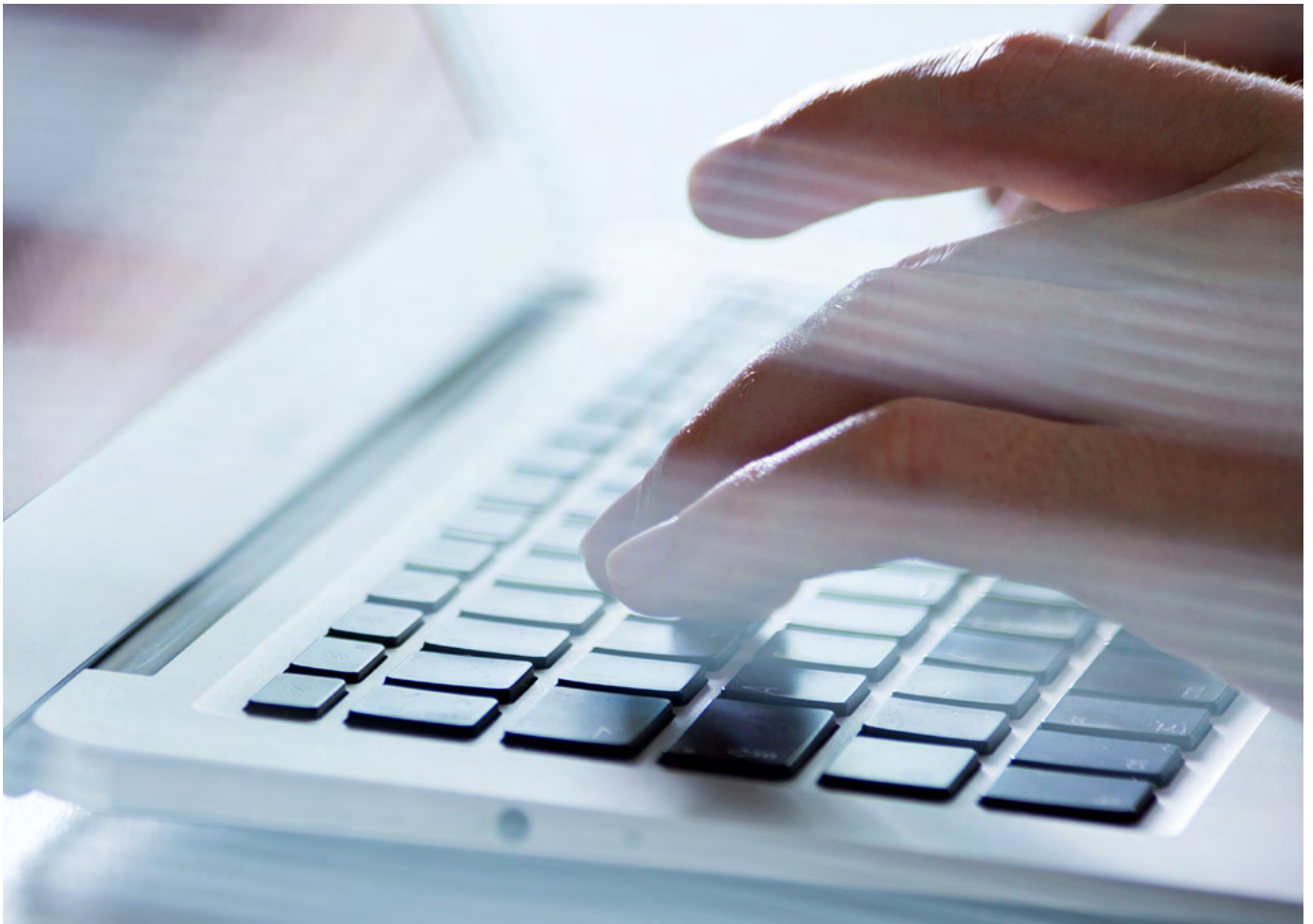


Conclusion

Compliance affects companies of all sizes. It is the role of the Compliance Officer to ensure that the appropriate behaviours are understood by all staff and embedded in the company culture. In an increasingly regulated world, this is more important than ever.

LMSs are supporting Compliance Officers in their quest for 100% compliance. However, this is only half of the story. You can only achieve 100% compliance attainment if all staff - not just 90% or 95% - are engaged with the training and supported to behave in the appropriate ways. This can only be achieved by making the training personalised and relevant to not just your company as a whole, but to the role of each individual in the business. Equally important is ensuring that you have the appropriate training materials to respond to evolving challenges and that all material is accurate, up-to-date and current.

If you want to find out more about how an LMS can support you with your compliance goals, or have any questions regarding this eBook, please **get in touch**.



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