

The Unconventional Route: Trust Builds a Culture of Compliance



By Beth Junell, *Senior Managing Director*

Let's face it. Fraud and compliance risk is unavoidable in any organisation. The best mitigation strategy therefore, is to talk about the risks, develop practical mitigation solutions, and then implement the solutions. But this requires open discussion within an organisation, which is truly only effective when people trust each other.

Establishing trust in some cultures is easier than in others. Cultures in Asia, for example, are intensely hierarchical where directions from managers are often followed without question. This dynamic is generally unavoidable, so getting people in the business to talk openly about risk may only be possible if there is trust. Therefore, any opportunity to engage directly with employees to talk openly should be seized in a genuine manner.

The risk assessment provides this kind of an opportunity where compliance can engage in genuine conversations with the business to understand the challenges they deal with every day. Empathetic conversations are where rapport, and even trust, is established. Trust in an environment where the business feels comfortable raising an issue, seeking advice and participating in the resolution, no matter how risky a situation may be. This is the type of environment that any compliance professional would describe as having a *culture of compliance*.

Yes, it starts with tone at the top

Executive management should set and be the example of personal conduct for all stakeholders of an

organisation. That's the classic definition of tone at the top. But perhaps more importantly is that tone at the top is also *demonstrated* through executive management's strategic priorities for the organisation, and strategy in turn dictates resource allocation. Fraud and compliance risk management should be a key strategy for all organisations, and as such, should receive appropriate resource allocation.

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If tone at the top is key to driving a culture of compliance, why then do we continue to see waves of fraud and misconduct scandals coming from all corners of the world? The answer in my experience is that organisations do not recognise the true benefits of a risk assessment, and therefore do not undertake an effective process. Risk assessment is often treated as a methodical process that uses everything except the most beneficial tool – empathetic conversations – to identify risk.

Get the process right

Companies take many approaches to conducting a risk assessment. Some work well and others don't. The process is not likely to work well if the business is not properly engaged to surface and provide deeper understanding of the actual risks that employees are exposed to in their day-to-day jobs. Compliance and other corporate governance functions may come together and hypothesise on the risks based on their understanding of what the business is and does. The problem with this approach is that these people typically have not been in operations and therefore do not have first-hand knowledge of what is really occurring throughout the operations. Decisions made at local operations level can have the greatest effect on compliance, as this is where the day-to-day activities that employees engage in are most likely to expose the organisation to risk.

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I have heard many reasons for not engaging the business, including that business employees are too busy, will not take the process seriously, are not comfortable engaging with “compliance,” or worse, compliance is viewed as the “Office of No”. So instead, the risk assessment process involves the use of other sources of information - from binary calculations of risk based on a number of indicative factors that can be gleaned through data analytics, to computer-based surveys and questionnaires. All good sources of

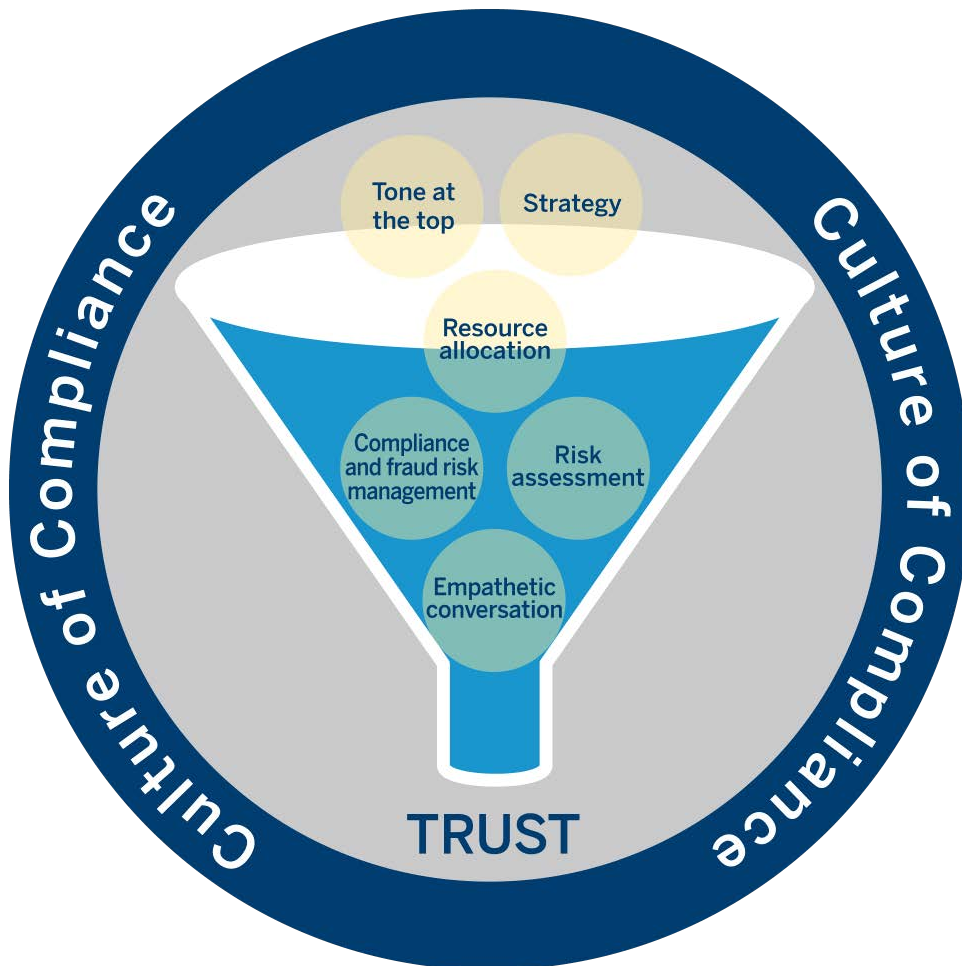
initial information, but the results must be validated by those who actually know what’s occurring on the front lines. Compliance and the business must talk to each other.

The real benefit of risk assessment

Yes, properly allocating resources to mitigate actual risks is the primary benefit of the risk assessment. Risk assessment drives implementation of preventive controls designed to address real situations and daily encounters that employees will face,

thereby reducing the costly reactive mode of an investigation. But there is another real benefit that cannot be overlooked.

Achieving an environment where open discussions about potential risks are business as usual, is one of the most indicative signs of an effective fraud risk management and compliance program that I have observed. Effectively engaging the business in risk assessment is a step toward achieving this level of open communication and trust that should not be overlooked.



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