



A SURVEY BY
the Society of Corporate
Compliance and Ethics
and the Health Care
Compliance
Association

NOVEMBER 2014

The Economy, Compliance, and Ethics



6500 Barrie Road, Suite 250, Minneapolis, MN 55435
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Introduction

Beginning in 2009, shortly after the Market Meltdown, the Society of Corporate Compliance and Ethics and the Health Care Compliance Association have periodically surveyed the compliance community on economic issues.

The goal of this research has been to determine what has happened to compliance programs and staffing, as well as where budgets and staffing are likely to go in the coming year. The survey has also examined the job security of compliance professionals, as well as risk levels and management attitudes towards compliance and ethics programs.

The latest survey was fielded during October 2014, a time at which economic indicators had risen sharply. So, too had the level of enforcement. Settlements for mortgage-related cases have totaled well into the billions, and a number of recent scandals were also subject to settlements and investigations across the banking industry. Simultaneously FCPA prosecutions continued and data breaches had grown into a significant concern for industry.

The 2014 survey sought to determine how these forces were impacting both compliance spending, as well as attitudes, and how key measures had changed since the previous survey was conducted in 2013.

Executive Summary

The year 2014 appears to have been a disappointing one for compliance and ethics programs. While far more survey respondents reported a rise in spending (35%) vs a decrease (14%), this is the lowest percentage reporting an increase since 2010. The drop in spending was largely driven by the healthcare providers, where just 29% reported an increase.

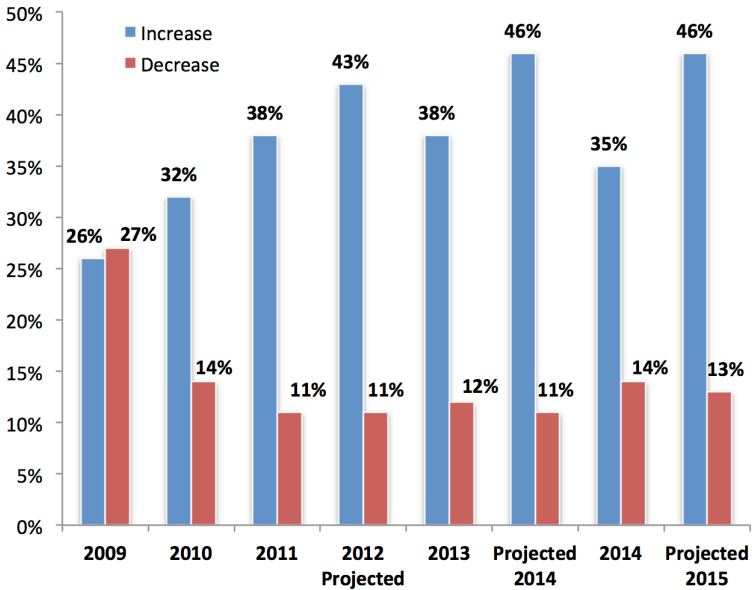
The decline in spending was matched by a decline in support for compliance and ethics programs by management. Fifty five percent of respondents reported that management had a positive or very positive view of compliance programs. That is down from 60% last year. At the same time the percentage reporting to have the view that compliance is somewhat or a great hindrance had risen from 12% to 18%

Key Findings

- **Survey respondents were more likely to report an increase in spending, but not at levels seen in recent years.** In 2013 more than 3 times as many respondents reported an increase in spending than reported a decrease (38% vs. 12%). By 2014 the number had declined to just 2.5 times as many (35% vs. 14%), and in healthcare, where just 29% reported spending growth, the ratio was just 2 to 1. Significantly, reported spending increases were far below the estimate going into the year. In 2013, 46% of respondents anticipated spending would increase, far above the 35% who reported that their budgets actually did increase in 2014.

- **Despite the decline, respondents remain optimistic for future spending.** An increase for 2015 was projected by 46% of respondents, and just 13% anticipated a decline. For healthcare again, though, the prospects were dimmer. Just 39% anticipated an increase.

Change in Budget



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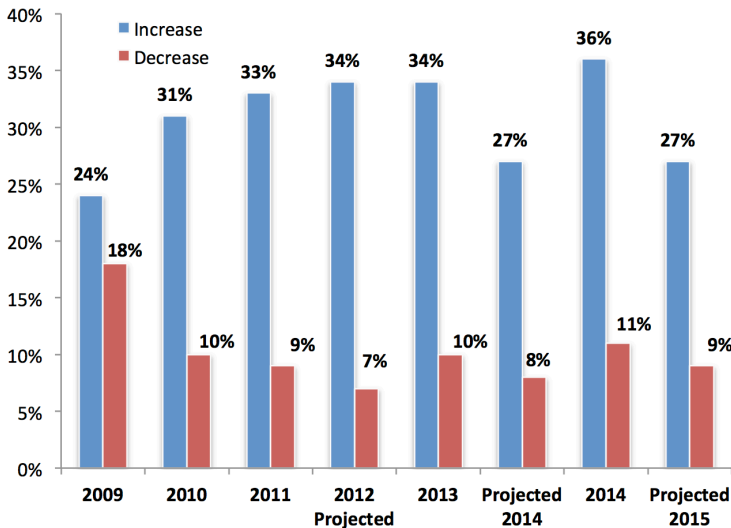
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- Staffing numbers stood in contrast to budget numbers, increasingly far above projections.** In 2013, a growth in staffing was predicted by 27% of respondents, but in 2014 staffing growth was reported by 36% of respondents, the largest growth rate to date. For 2015, though, growth is again forecast by 27%, with 9% anticipating a staffing decline. For healthcare just 20% anticipate an increase.

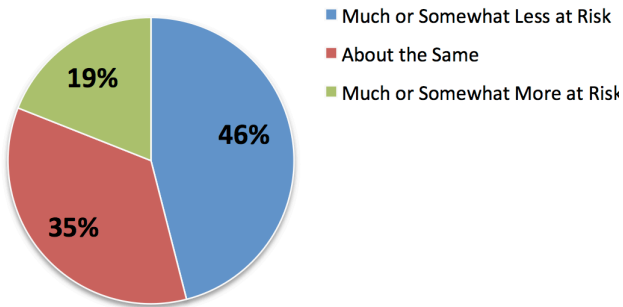
Change in Staffing



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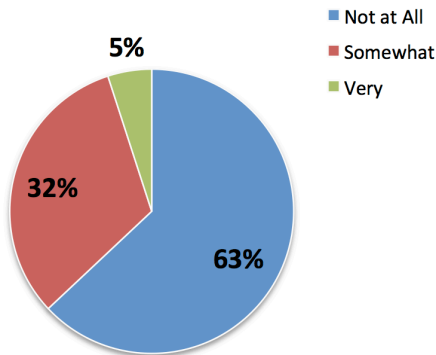
- **Possibly as a result of rising staffing levels, job security remains high.** Overall, 46% of respondents felt their jobs were *less* at risk than those of others at their organizations. And, when it comes to concern about losing their job as a result of the economy, 63% reported they were “not at all concerned.” These numbers were virtually unchanged since 2013.

Relative Risk of Losing Their Job Vs. Others



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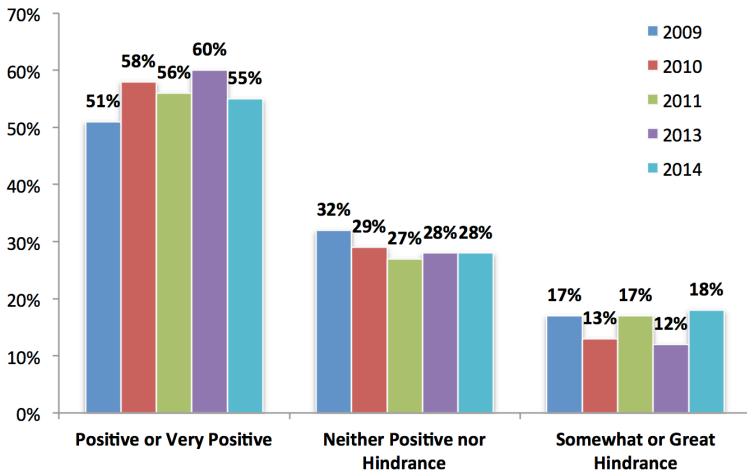
Concerned About Losing Your Job?



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- Management attitudes towards compliance programs *may be slipping.*** Because these numbers varied somewhat but not greatly, it would be premature to draw any definitive conclusions. Nonetheless, in 2013 a total of 60% of respondents felt that management sees compliance as a very or somewhat positive asset in helping the organization through the economic challenges, but in 2014 the number had slipped to 55%. At the same time 18% reported that their management saw compliance as a hindrance, up from just 12% a year earlier.

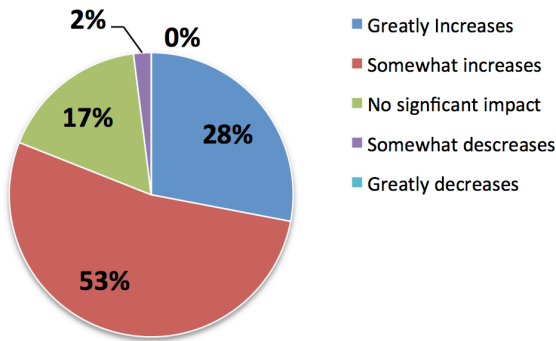
Management Perception of Compliance



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- **Finally, it appears that the fears of wrongdoing due to the economy could be easing.** In 2013, among respondents 31% believed that the current economy greatly increased the risk of compliance and ethics failures, and another 56% believed it somewhat increases the risk. By 2014 those numbers had declined to 28% and 53% respectively.

Impact of Economy on Risk of Compliance Failure



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Conclusions and Implications

- **It's difficult to tell in which direction compliance programs are going.** On the one hand we are seeing a decline in program growth, but on the other hand staffing does not appear to be affected. And, from the SCCE and HCCA's own growth numbers, up approximately 20% and 8%, respectively, the compliance economy seems strong.
- **At the same time an improving economy may be leading to greater complacency in the corporate world.** With an improving economy businesses may be growing more risk tolerant and seeing compliance as a less valuable investment. Even survey respondents see the compliance risk decreasing.
- **Yet, the risk of another series of compliance failures remains, independent of factors driven by the economy as a whole.** Data breaches remain significant challenges for the retail and banking sector. Banking is also under heavy scrutiny for foreign exchange rates. Export controls are causing consternation to certain industry segments, and human trafficking is emerging as an issue, with Singapore recently passing legislation in this area. As a result, the business community may find new compliance challenges in these other areas not yet on the horizon, and independent of the state of the economy.

Methodology

The survey was conducted during October 2014. Responses were solicited from contacts in the database of the Health Care Compliance Association and the Society of Corporate Compliance and Ethics. Data was collected using SurveyMonkey, a third-party web-based solution. A total of 300 responses were obtained.