

Compliance as a change agent

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Objectives

Develop a deeper understanding of how compliance functions drive change within their organizations.

Learn how to combat resistance to change within your organization

Discuss current change management trends and tools that will highlight compliance functions and professionals as positive change agents



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Introduction – Bios



- Jeff serves as Associate Vice Provost for Integrity & Compliance at the University of Kansas. He established KU's first-ever campus-wide compliance program, including a comprehensive data and reporting function, with special emphasis on achievement of ethical and operational integrity through application of the behavioral sciences. Additionally, he serves a number of professional associations as a presenter, peer reviewer, and committee leader.
- He received his B.A. and J.D. degrees from The George Washington University, where he also served as an adjunct instructor.



- John is a Director in PwC's Internal Audit, Compliance, and Risk Management Solutions practice, overseeing the delivery of full scale internal audit outsource arrangements, technical co-source arrangements, and project specific services in the higher education and nonprofit sector. John also serves as the firm's national higher education knowledge manager, connecting teams across the country to share leading practices, developing risk trends, and benchmarking data.
- John has a B.B.S. from the University of Wisconsin-Madison in Risk Management and Insurance, and Accounting Information Systems. He is a Certified Public Accountant in the states of Illinois and Wisconsin.

Background

Compliance and Change



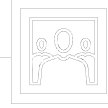
Protecting the organization in an ever – changing environment



The role of compliance functions in helping balance risk is growing in importance and complexity as their organizations address new regulatory concerns and navigate new opportunities generated by technology and business innovation.



As the pace of change continues to accelerate and organizations become more digital, compliance and ethics organizations have to become strategic partners in driving transformation

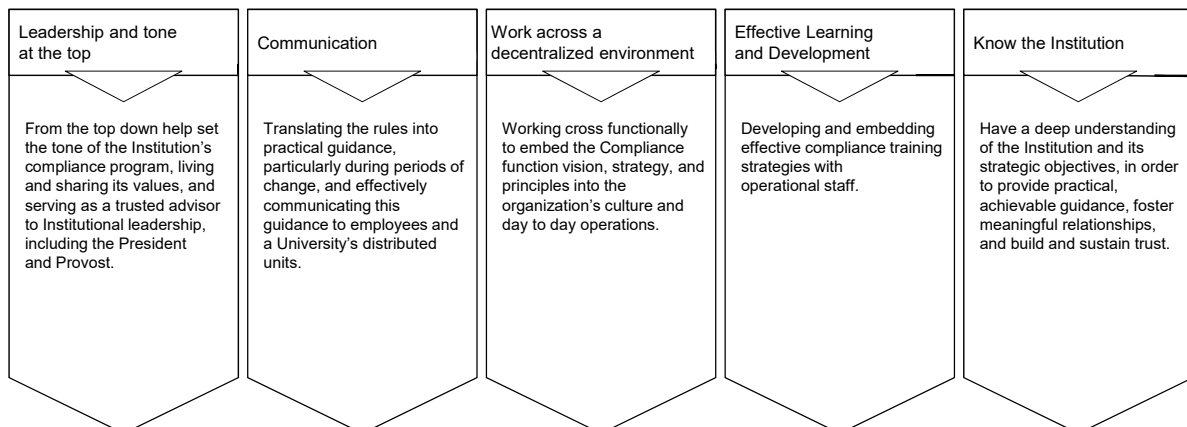


This is part due to the compliance function's role as an "influencer" over organizational culture, where the team is able to draw change through relationships with other business stakeholders and through clear messaging.

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Driving Change in your Organization

Focus on the basics



6

Driving Change in your Organization

Moving towards the 4th Industrial Revolution and a digitally fit compliance program

1

Anticipate forthcoming regulatory changes and make plans for how to adapt to them

2

Identify regulatory compliance risk early during digital initiatives and proactively and quickly respond to possible issues

3

Educate on the costs and repercussions of noncompliance

4

Create competitive advantage for their Institutions

Digitally Fit Compliance Program

Having in place the skills and competencies for strategically advising stakeholders on digital initiatives' regulatory compliance risks and

Adapting compliance processes, tools, and services to help Institutions anticipate and respond to regulatory change at the pace required to maintain compliance

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Driving Change in your Organization

6 Habits of a Digitally Fit Compliance Program

The 2019 PwC State of Compliance study identified six habits of dynamic, digitally enabled compliance functions:

01

Go "all in" on the Institution's digital initiatives

02

Upskill staff to move at the speed of the Institution

03

Find the right fit for emerging technologies

04

Enable the Institution to act on risk in real time

05

Actively engage decision makers through digital initiatives

06

Collaborate and align to provide a consolidated view of risk

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Driving Change in your Organization

6 Habits of a Digitally Fit Compliance Program

1

Go all-in on
the Institution's
digital plan



- Compliance executives should be involved early in digital initiatives, at the idea stage, to provide perspective on the ethical and regulatory considerations that may affect digital initiatives. Emphasize the cost of non-compliance to ensure the function's voice is heard.
- Be part of your Institution's strategic plan and engage with leadership to establish digital governance standards; compliance needs a seat at the table at both the digital governance level and when it comes to program oversight.
- The compliance function should target clear outcomes and specific performance metrics for its own digital strategy.

Driving Change in your Organization

6 Habits of a Digitally Fit Compliance Program

2

Upskill and
inject new
talent



- Identify strategic training opportunities to upskill current compliance staff, potentially along with other related risk business functions
- When hiring, look outside traditional areas (i.e., risk management, legal) and consider hiring team members from non-traditional backgrounds (e.g., data analytics, cybersecurity)
- Compliance executives should also consider connecting with partners and external providers that have new capabilities (e.g., data mining) that offer value to compliance functions.

Driving Change in your Organization

6 Habits of a Digitally Fit Compliance Program

3

Find the right
fit for emerging
technologies



- One area ripe for RPA is contracts. At one organization, the compliance function used a combination of process automation and artificial intelligence to automatically identify potentially problematic or risky language in contracts. This allowed reviewers to spend less time on more tedious review steps and more time on meaningful analysis of trends.
- Dynamic compliance functions are also investing in compliance-specific technology as a foundation for the support of legal and regulatory requirement monitoring.

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Driving Change in your Organization

6 Habits of a Digitally Fit Compliance Program

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Enable the
Institution to
act on risks in
real time



- Identify potential business, risk, and compliance processes that may benefit from intelligent automation or machine learning, e.g., continuous monitoring.
- Develop new services for the organization or its stakeholders/ e.g., on demand data visualization tools to empower local functions
- Regular risk refresh to inform audit plan, compliance, and ERM activities.

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Driving Change in your Organization

6 Habits of a Digitally Fit Compliance Program

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Actively engage
decision
makers



- Don't be caught off guard by digital initiatives that are far down their implementation path.
- As Institutions undergo digital transformations, compliance functions must take an active role, leaning into conversations about digital initiatives and emphasizing the cost of non-compliance.
- Examples
 - Secure Data Enclaves
 - New ERP Implementations /Sponsored Research Modules

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Driving Change in your Organization

6 Habits of a Digitally Fit Compliance Program

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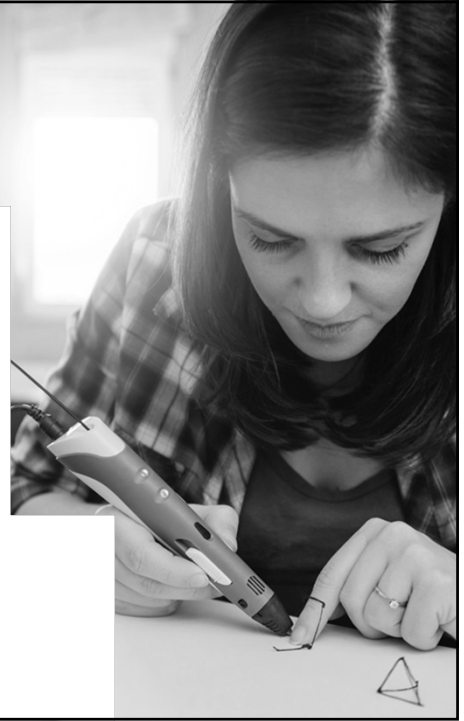
Collaborate and
align to provide
a consolidated
view of risks



- Implement and leverage Governance, risk, and compliance tools
- Consolidated reporting to the Audit Committee
- Risk Assessment Harmonization

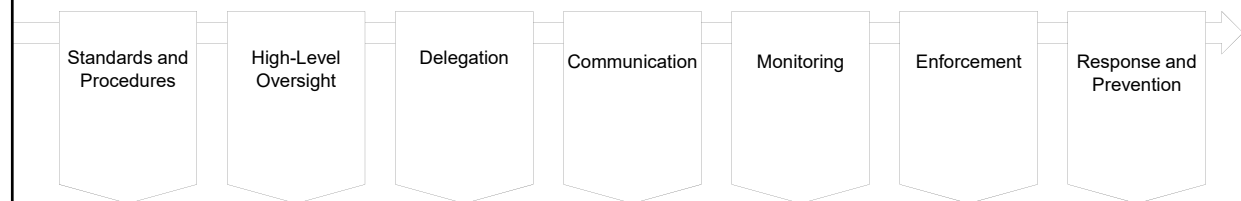
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Combating resistance to change



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Federal sentencing guidelines for organizations (“FSGO”) – 7 criteria



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FSGO Criteria 1 – Standards and procedures



Prioritizing “rightdoing”
over wrongdoing

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FSGO Criteria 2 – High-level oversight



Fostering slow-track
thoughtfulness
in a fast-paced
environment

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FSGO Criteria 3 – Delegation



Aligning individual
inclinations
with institutional
interests

FSGO Criteria 4 – Communication



Developing just-in-time
resources and not just-
one-time training

FSGO Criteria 5 – Monitoring



**Facilitating action
along with analysis**

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FSGO Criteria 6 – Enforcement



**Making accountability
and not just taking it**

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FSGO Criteria 7 – Response and prevention



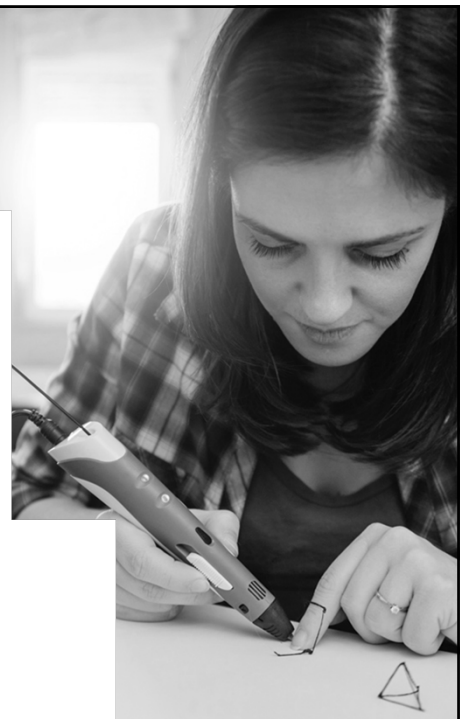
Creating a “whole” that’s
greater than,
not less than, the sum of
the parts

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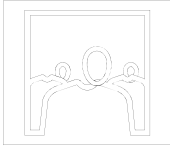
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Current change management trends and tools



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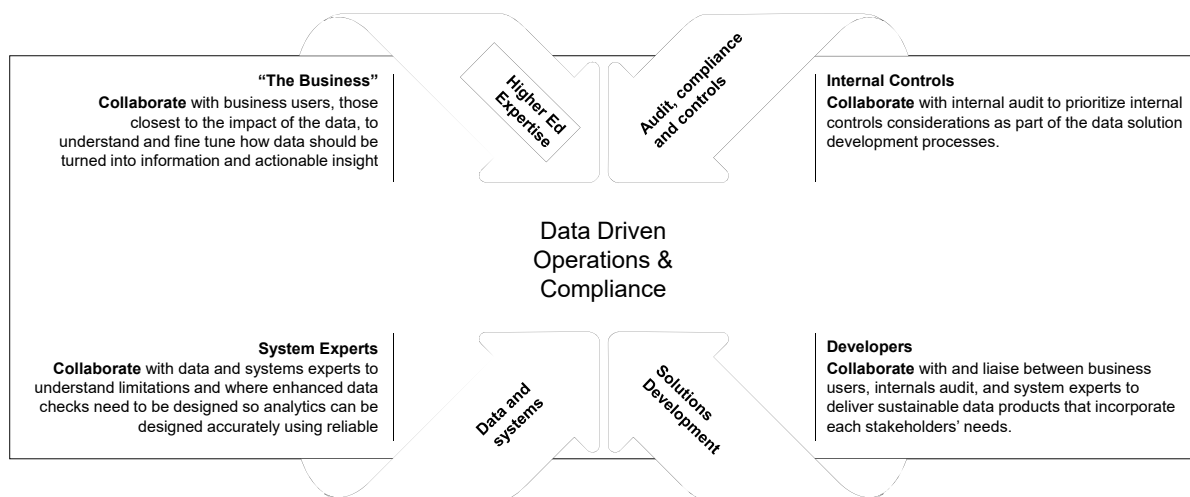
Illustrative example – Data analytics in sponsored research compliance



Leadership at a private research university wanted to modernize the manner in which university departments make decisions, specifically through the use of data and analytics.

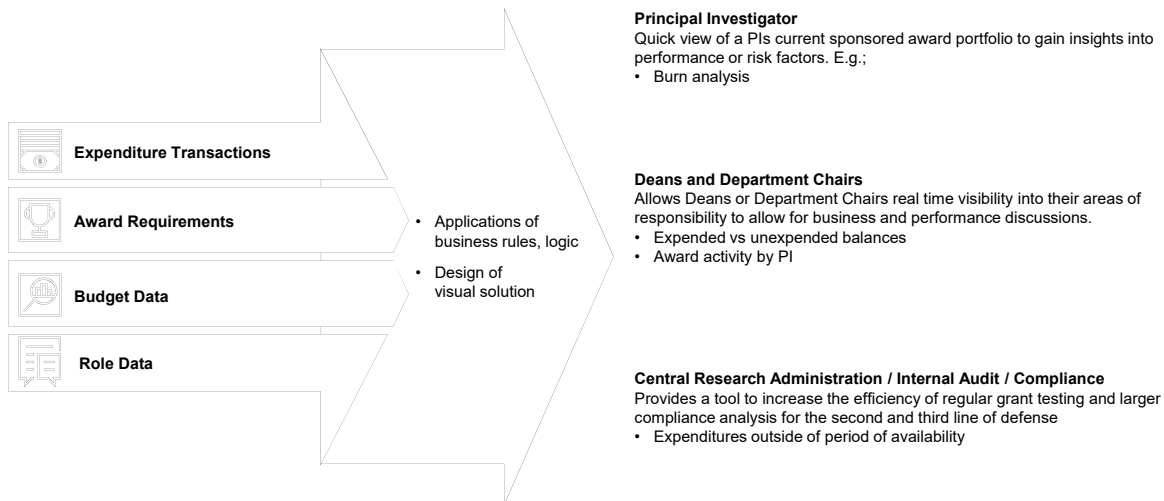
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Illustrative example – Data analytics in sponsored research compliance



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Illustrative example – Data analytics in sponsored research compliance



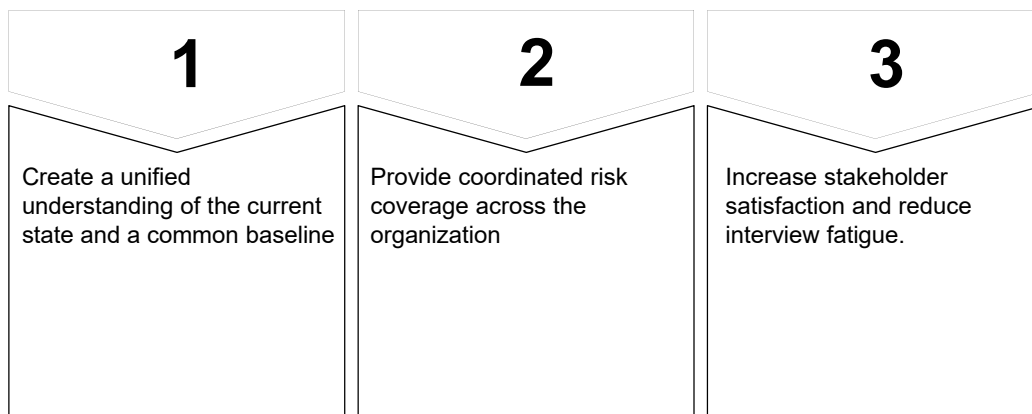
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Coordinating risk management efforts

As organizations go through periods of dramatic change judicious management of resources becomes more critical. By combining efforts of ERM, Compliance, and Internal Audit, it is possible to provide coordinated risk coverage, reduce potentially duplicative work and maximize stakeholder benefit.



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Coordinating risk management efforts



Determine Risks

Based on the results of the interviews, Internal Audit, Compliance, and ERM collaborated to determine the inherent component risks (i.e., activities/events that could prevent a business unit from fulfilling its initial objectives) faced by the organization.



Group Risks

These component risks were then grouped into larger key risk themes (e.g., finance, IT). As the risk assessment was a collaborative effort, the same set of risk themes were used by Internal Audit, Compliance, and ERM.



Internal Audit Plan

Based on the risk themes identified, and the underlying component risks, Internal Audit developed a three-year audit plan. Specific projects were mapped to the corresponding risk theme. Additionally, Internal Audit considered if areas have not been audited as part of recent audit plans.



ERM/ Compliance Plan

Similar plans were developed by Compliance and ERM. Plans were shared across the three functions to minimize duplicative efforts and maximize risk theme coverage. The proposed plans are then presented to the relevant governing bodies (e.g., audit committee).

Coordinating risk management efforts

Risk Theme	Second Line of Defense		Third Line of Defense
	Compliance	ERM	Internal Audit
Human Resources	<ul style="list-style-type: none"> Conflict of Interest Review ERISA Compliance Review 	No Planned Activities	<ul style="list-style-type: none"> Hiring and Onboarding Process Audit
Cybersecurity and Privacy	No Planned Activities	<ul style="list-style-type: none"> Data Breach Notification Assessment 	<ul style="list-style-type: none"> Attack and Penetration Testing
Budgeting, Finance, and Procurement	No Planned Activities	No Planned Activities	<ul style="list-style-type: none"> Budgeting Operations Assessment Strategic Sourcing Review

Change management strategy

One key, often under leveraged, strategy to drive and embrace change is organizational culture. However, thought leadership from the PwC Katzenbach Center highlights the importance of culture in driving change.

Successful change is often contingent on being able to leverage positive cultural attributes while minimizing the effect of negative attributes.



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Leading change with culture

PwC's Strategy& Katzenbach Center identifies several key strategies to use when using culture to drive change:

1

Culture Diagnostic: Organizations must be aware their culture prior to using it to drive change. This includes being cognizant of strengths and weakness, in order to use strengths

2

Critical Few: Setting a small number of change goals is a crucial way to show staff the needed changes while preventing them from being overwhelmed by the scale of change.

3

Employee pride: Companies must find ways to connect workers to something larger that they can believe in.

4

Informal Peer Networks: Culture must be reinforced at every level, and having a peer point out the benefits of a change is often more effective and meaningful than the change coming from the top.



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Thank you

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