

# Compliance on the forefront: Setting the pace for innovation

2019 State of Compliance Study



We are in a new era—one in which the convergence of technology and data makes it possible for compliance and ethics programmes to pursue radically different ways of operating. And demand is growing that they do so.

Organisations are rolling out digital initiatives in an arena defined by more data, more automation, sophisticated cyberattacks, a constantly evolving regulatory landscape, and continual change in customer expectations. Overregulation continues to be a top threat identified by CEOs in PwC's 22nd [Annual Global CEO Survey](#). And with the widening breadth and quickening pace of digital transformation, regulatory compliance requirements continue to evolve, and issues are arising at increased velocities. The likelihood is far greater today that when an issue arises, it will snowball quickly.

Stricter regulatory enforcement, mounting pressures from global movements (e.g., #metoo), and watchdogs such as whistle-blowers, activist groups, and investigative journalists are escalating the importance of a strong and ethical culture as well as more-transparent internal reporting channels. Compliance failures can cause organisations to suffer reputational damage, customer churn, and costly fines. In fact, the impact of noncompliance is greater than ever before. [A 2018 report](#) by the Ponemon Institute estimates noncompliance costs to be 2.7 times the costs of maintaining or meeting compliance requirements—and up 45% since 2011. Consider the [plethora of issues organisations faced in 2018](#) due to their use of artificial intelligence (AI): traffic accidents with self-driving cars, massive security breaches, possible discrimination inherent in facial-recognition tools, and flawed algorithms that resulted in outcomes ranging from unfair deportations to unsafe medical recommendations. Conversely, strong compliance and ethics programmes can help executives take risks confidently and seize new market opportunities before they evaporate.

As the pace of change continues to accelerate, compliance and ethics organisations have to become strategic partners of senior executives so that they can truly facilitate their companies' digital transformation. How? By moving themselves to the forefront to:

- Anticipate forthcoming regulatory changes and make plans for how to adapt to them
- Identify regulatory compliance risk early during digital initiatives and proactively and quickly respond to possible issues
- Avoid the potentially catastrophic costs of noncompliance
- Create competitive advantage for their organisations

But getting to the forefront requires that compliance programmes be digitally enabled and data driven—in other words, that they be digitally fit. Our 2019 Global Risk, Internal Audit and Compliance Survey found that as organisations move through digital transformation, digitally fit compliance programmes help organisations avoid the ramifications of noncompliance and become smarter risk takers in the face of a changing risk profile.

## What does the expression compliance programme digital fitness mean?

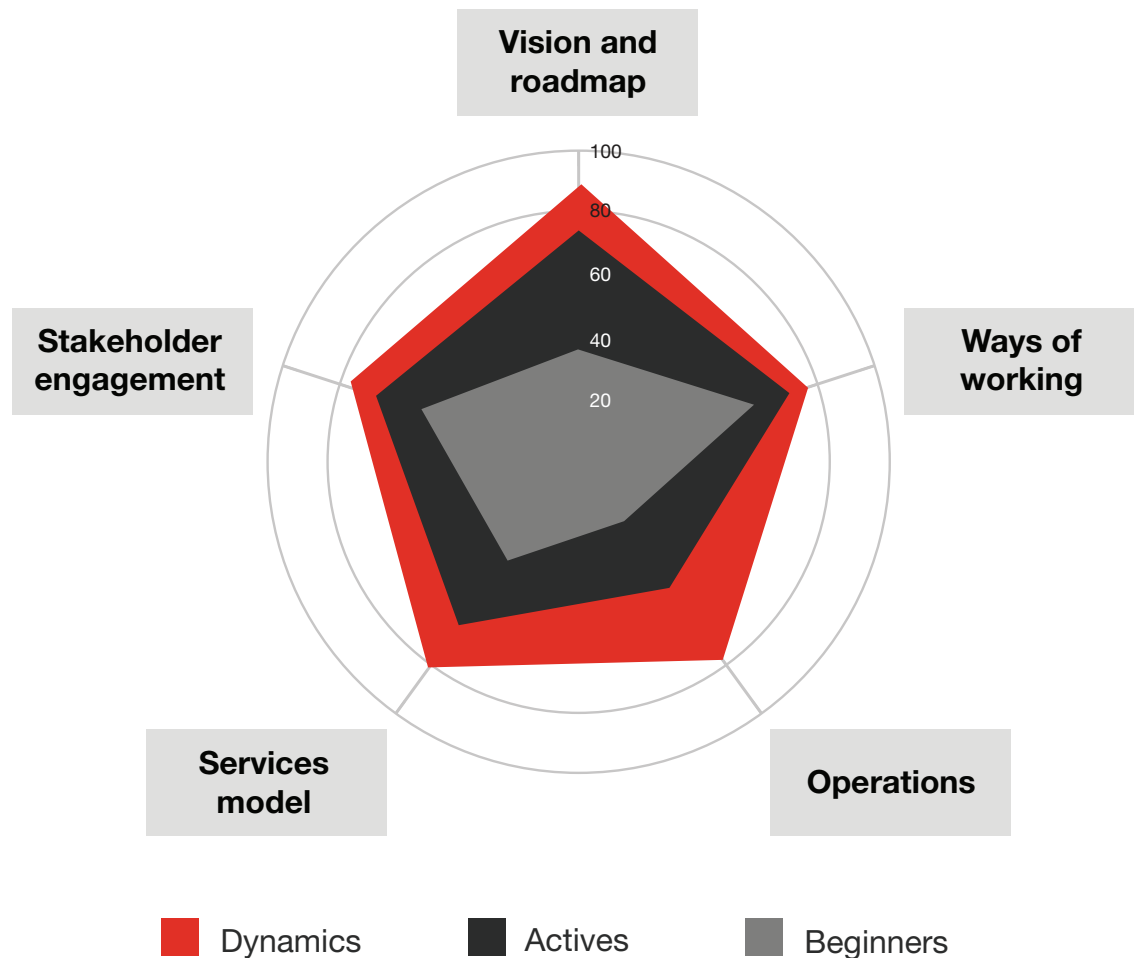
The definition is twofold: (1) having in place the skills and competencies for strategically advising stakeholders on digital initiatives' regulatory-compliance risks and (2) adapting compliance processes, tools, and services to help the organisation anticipate and respond to regulatory change at the pace required to maintain compliance.

By harnessing digital capabilities and the power of data—both internal to their organisations and outside of them—compliance and ethics programmes can find correlations and draw insights that will not only keep pace with evolving regulatory risks but also become able to help predict changing risk profiles.

Figure 1

## Where digitally fit compliance and ethics programmes stand out

Digital fitness in each dimension



Digital maturity score on a scale of 0 to 100 based on PwC analysis and index calculation.  
Base: 56 Dynamics; 43 Actives; 83 Beginners

## Where digitally fit compliance programmes stand out

PwC surveyed more than 2,000 CEOs, senior executives, board members, and professionals in the areas of risk management, compliance and internal audit, and met with dozens of executives and board members to explore the things that differentiate risk functions in a digital transformation. We found that some compliance and ethics programmes are making significant headway in their digital fitness (Figure 1). And we learned that organisations with more-digitally-fit compliance programmes are seeing greater benefits from the advent of digital initiatives. Such positive results include more-effective management of transformation risk and more payoff than expected against planned outcomes such as improved customer experience and revenue growth. We also learned that compliance executives can advise on digital transformation without stalling the speed at which the business has to act. Indeed, by staying ahead of regulatory change, compliance and ethics programmes can help their organisations meet their digital goals.

We evaluated compliance respondents on their digital fitness scores across five dimensions. The group that is most digitally fit includes 31% of total compliance respondents; we call them *Dynamics*. (See *Being a smarter risk taker through digital transformation: 2019 Risk in Review Study* for a thorough discussion of Dynamic risk functions.) Dynamics embody a mix of highly regulated and less regulated industries, various geographic regions, and different organisation sizes. The next-most-digitally-fit group of compliance and ethics programmes are named *Actives*. That group, representing 24% of compliance respondents, is taking many of the steps necessary to become more digitally fit. The balance of compliance and ethics programmes (45%), which we call *Beginners*, are conducting or planning to conduct some of the activities we measured, though in far more ad hoc ways; and they are at an early stage in their digital journey.

Our study analysed the behaviours that set Dynamics apart. We identified six habits that Dynamics embrace to put themselves at the forefront of both digital transformation and regulatory change and therefore be in a position to help their stakeholders become smarter risk takers throughout their digital transformation (*Figure 2*).

# The six habits of Dynamic compliance programmes

Figure 2

## Six habits of Dynamic compliance programmes

- 01 Go all-in on the organisation's digital plan
- 02 Upskill and inject new talent to move at the speed of the organisation
- 03 Find the right fit for emerging technologies
- 04 Enable the organisation to act on risks in real time
- 05 Actively engage decision makers of key digital initiatives
- 06 Collaborate and align to provide a consolidated view of risks





# Go all-in on the organisation's digital plan

**Stay ahead of the ethical and regulatory environment so as to inform the organisation's digital strategy**

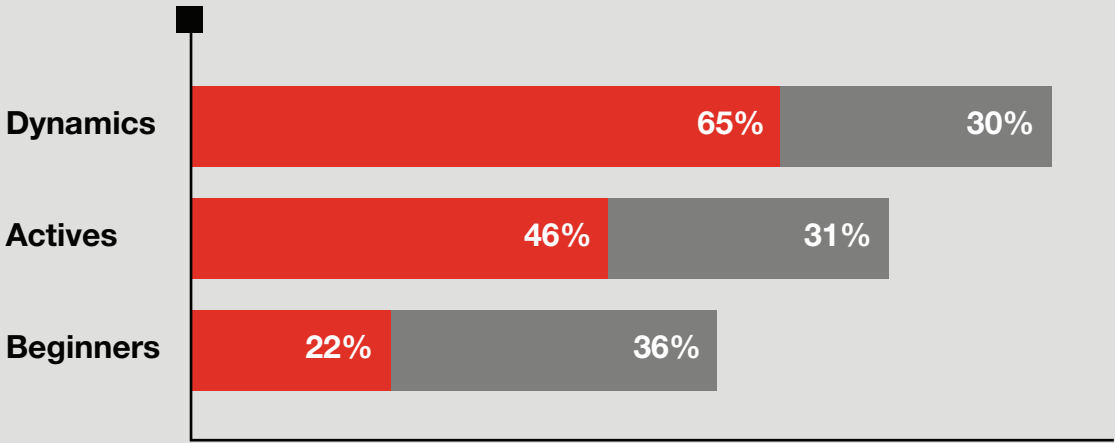
Compliance and ethics programmes have a critical role to play in helping the leaders of key digital initiatives navigate the regulatory risk and compliance implications of their programmes. More than risk functions or internal audit functions, compliance executives must be involved early in such initiatives—truly at the idea stage of innovation in order to provide perspective on the ethical and regulatory considerations that could influence programme feasibility and design.

Such early involvement is essential given the often distributed way and pace at which innovation is occurring across an organisation and given the potential impact a regulatory or ethical breach can have should it happen. For instance, consumer-facing digital initiatives use data and information that are typically subject to privacy regulations. If compliance gets involved at the front end of initiatives, then regulatory implications such as, say, the European Union's General Data Protection Regulation or a local law governing promotion or marketing practices can be dealt with from the outset. That kind of early recognition helps maximise value and return from initiatives while complying with laws and regulations.

Compliance executives need a seat at the table at both the overall digital governance level as well as when it comes to programme oversight. The decentralised nature of many compliance programmes can actually be an advantage here because resources embedded in the business have a better opportunity to be on the front line of their business unit's digital innovation. Articulating the total costs of noncompliance can help ensure the compliance voice gets heard. The costs of noncompliance include such things as fines but may also include the impact of the loss of consumer trust that accompanies perceived ethical issues, damage to internal morale, and loss of competitive advantage if digital and other strategic initiatives fail to realise their full value because compliance risks were not addressed.

Figure 3

# Dynamics are more involved in digital initiatives



Always involved      Involved in some but not all

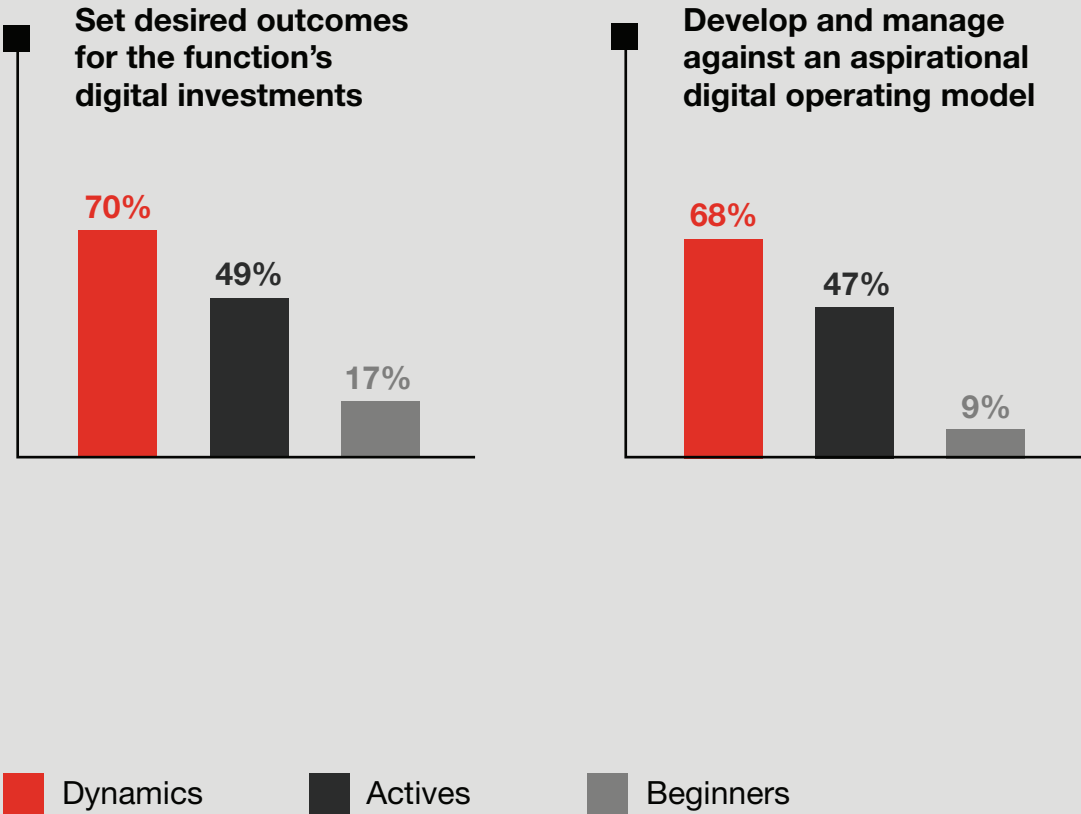
Q. How involved is your compliance function in the management of risks stemming from your organisation’s digital initiatives?  
Base: 54 Dynamics; 39 Actives; 78 Beginners

Dynamics stand out in their level of engagement in digital transformation. Two-thirds of Dynamics are involved in *all* of an organisation’s digital initiatives compared with less than half of Actives and just one-quarter of Beginners (Figure 3).



Figure 4

# Dynamics move their digital plan forward



Q. Is your compliance function conducting or planning to conduct the following activities related to building and managing a digital roadmap?  
Response: Doing now  
Base: 56 Dynamics; 43 Actives; 70 Beginners

Compliance leaders who engage early in digital strategies and initiatives have to have a global view of potential implications and have to equip themselves with data-driven insights. And even though compliance responsibility is usually decentralised, compliance and ethics programmes can take advantage of technology and data to discern patterns both across the organisation and external to the organisation that they've been unable to see before.

Dynamics build their digital fitness in part by translating the organisation's digital vision into their own operations and managing against an aspirational digital operating model (Figure 4). Dynamics move their own digital plans forward by setting specific desired outcomes for digital investments and technologies.



# Upskill and inject new talent to move at the speed of the organisation

**Build diverse talents and seek out nontraditional partnerships**

Now more than ever before, compliance and ethics programmes need diverse skill sets. Compliance and ethics programmes' traditional approach has been to hire resources with legal and regulatory backgrounds from within the industry because such individuals have the most thorough familiarity with industry-specific regulations. But digital initiatives shift talent needs, and nowadays, compliance and ethics programmes:

- **Should consider looking outside the industry.** For instance, a healthcare compliance programme traditionally hires resources with deep knowledge of healthcare regulations. But if the organisation is transforming the ways it interacts with patients and is building technology-enabled services to do so, then resources with expertise in the technology or in consumer industries could bring new perspectives to the regulatory compliance and ethical risks of those consumer-facing initiatives.
- **Require a complement of skills beyond regulatory expertise.** The compliance workforce of the future will not comprise only humans. It will also include bots capable of risk monitoring, testing, and reporting, with sophisticated risk and compliance algorithms running through terabytes of data. Consequently, it is imperative to focus on humans who are compliance process specialists *and* who have core, integrated technology skill sets in such areas as data, analytics, and cyberrisk.
- **Must elevate the need for strategic perspective.** As they move to the forefront and rely more and more on automation for routine tasks, compliance resources will have to become more strategically focused, become more risk minded, and acquire deep understanding of how technological change is shaping regulatory compliance and reporting.

Getting the talent strategy right by planning out a model and a structure that will work for the organisation's culture can go a long way in getting compliance talent needs met. Emerging compliance sourcing strategies include building centre-of-excellence models and outsourcing a portion of compliance activities to service providers that have cross-functional compliance specialists. Dynamics rely on centres of excellence at almost double the rate of peers, and they more often turn to external service providers as well ([Figure 5](#)).

Outsourced compliance-as-a-service solutions help organisations transfer the risks of talent hiring, talent retention, and loss of institutional knowledge to outsourced providers that offer dedicated service via established service-level agreements. The services are becoming increasingly technology driven, which helps drive down organisations' compliance costs while increasing the value derived from such models.

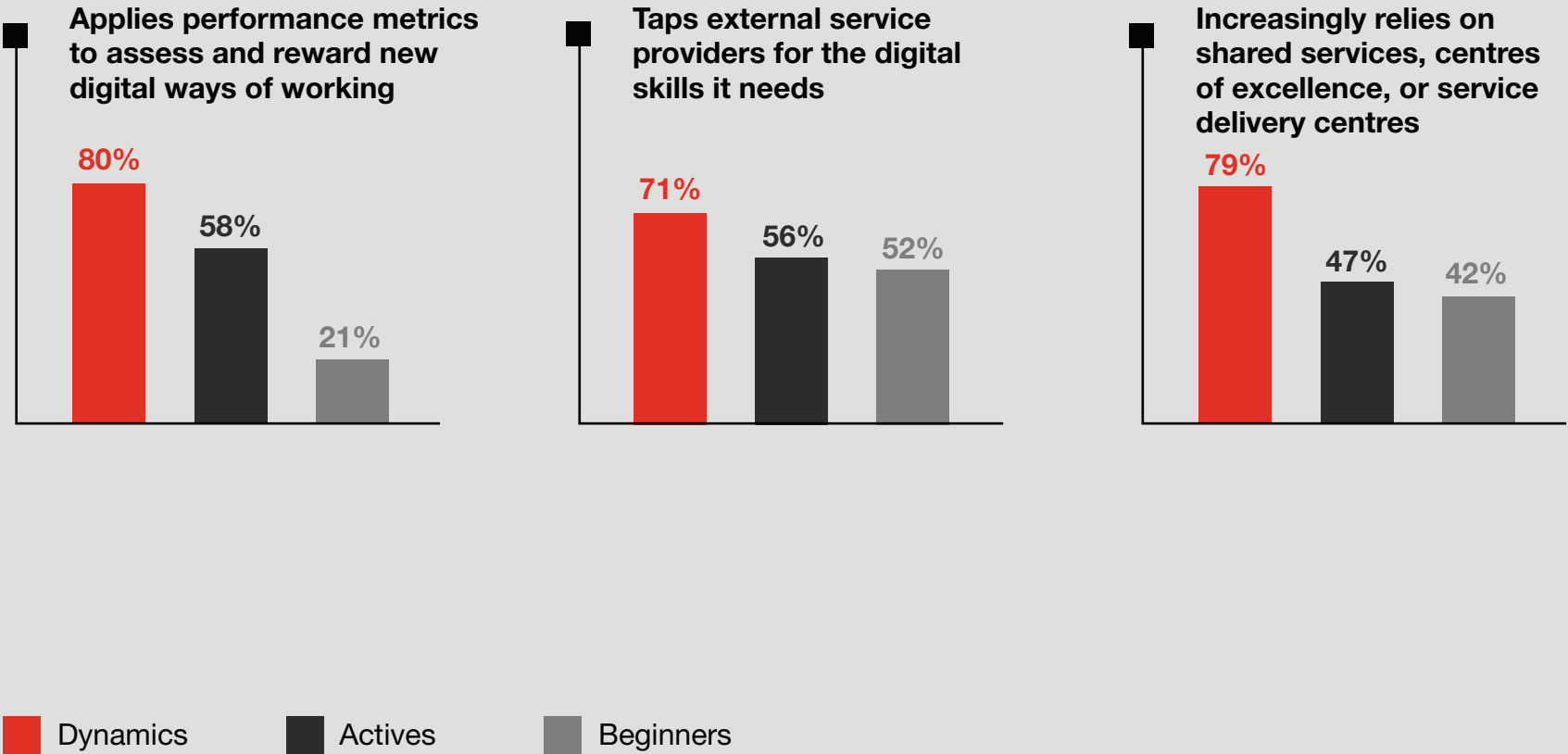
Compliance executives should also consider connecting with partners that have new types of capabilities that offer the intelligence compliance executives need in order to stay at the forefront of regulatory compliance and ethical risk. For example, external providers can infuse compliance with information that compliance previously struggled to gain access to or can provide access to specific capabilities such as data mining.

As a compliance and ethics programme builds a new talent model, the key is to design a sustainable process that can adapt to the organisation's changing risk profile—with full cognisance of the fact that the model may not look the same five years from now.

Figure 5

# Dynamics creatively source talent

My function:



Q. Please rate your level of agreement with the following statements about your compliance function.  
Response: Agree or strongly agree  
Base: 56 Dynamics; 43 Actives; 83 Beginners





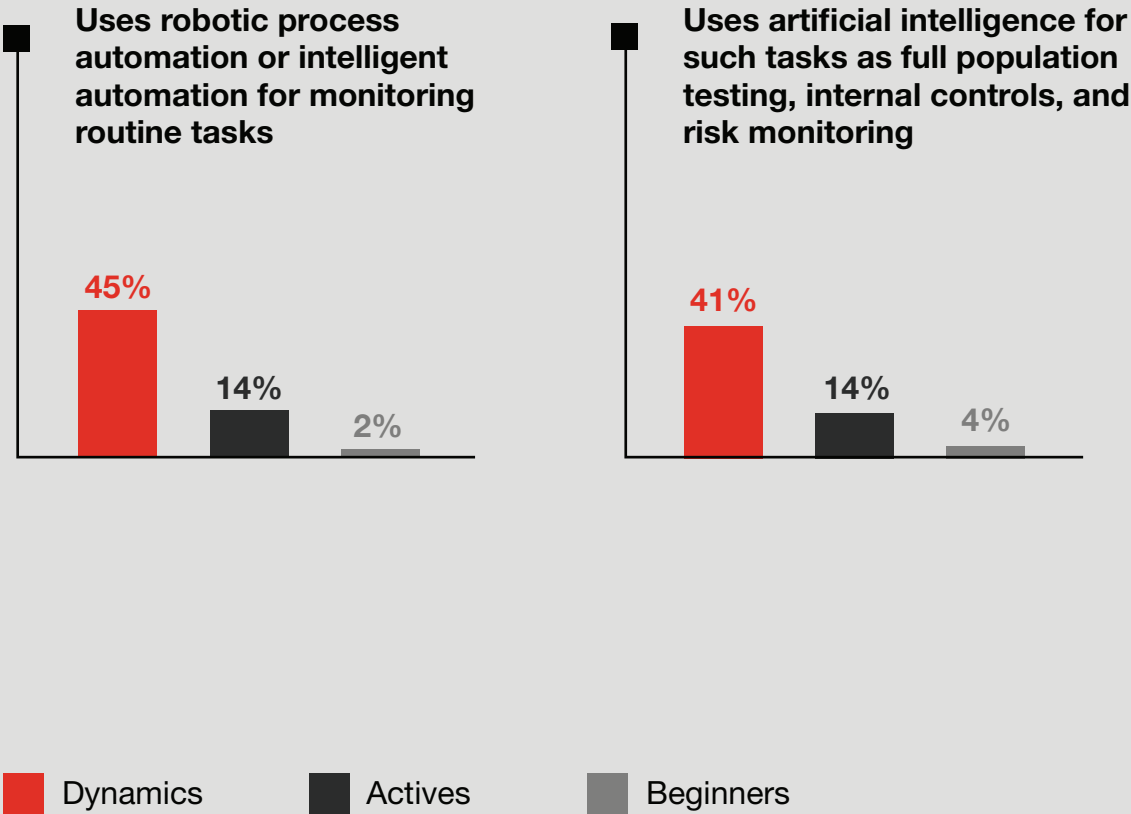
# Find the right fit for emerging technologies

**Automate and streamline the programme's operations to best manage the costs of compliance**

Figure 6

# Dynamics find the fit for emerging technologies

My function:



Q. Which of the following best describes your compliance function’s use of each of these technologies?  
Response: Doing now  
Base: 56 Dynamics; 43 Actives; 83 Beginners

Across industries, the costs of compliance are perceived to be high—and the ancillary costs invisible. Those perceptions are mostly just that—perceptions—because [PwC research](#) shows that the vast majority of companies do not currently document their costs of compliance. Such lack of cost transparency is pervasive, but the widespread belief is that compliance costs are rising. Compliance inefficiency erodes key market metrics such as market cap and price/earnings ratio relative to peers. Furthermore, adapting operations to regulatory change can be a painful and inefficient process—especially if change is identified late.

## Dynamics are beginning to find ways of using emerging technologies to streamline operations and contain cost.

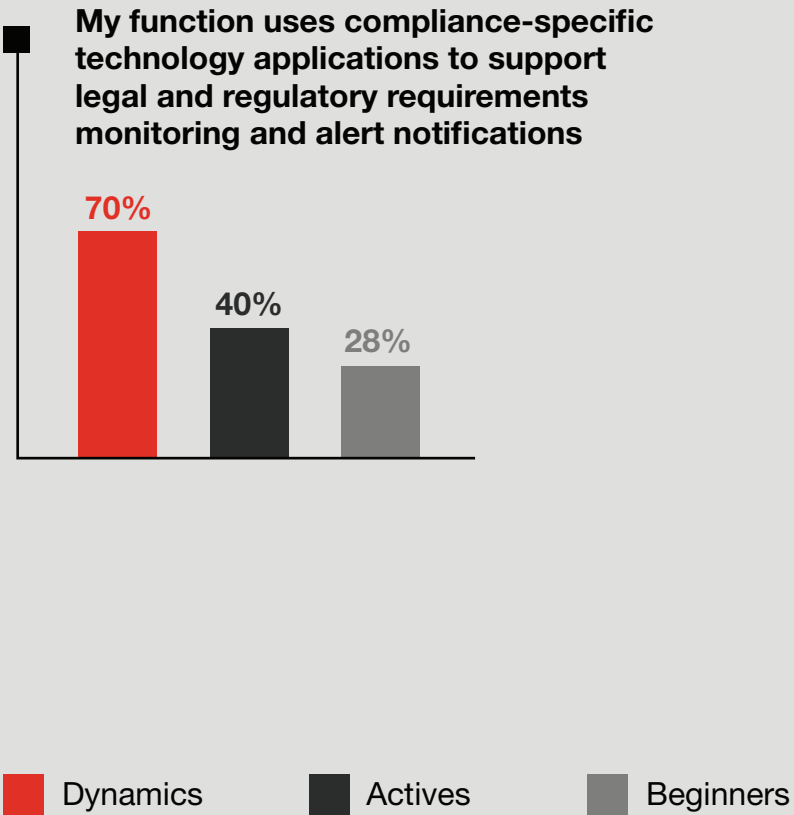
Dynamics are significantly ahead of their peers in their use of emerging technologies: 45% of Dynamics use robotic process automation currently, and another 36% plan to do so within two years. In contrast, 71% of Beginners do not plan to use robotic process automation or are unsure how they would use it. A similar pattern exists with regard to the use of artificial intelligence (Figure 6).

One area ripe for automation involves contracts. The centralisation of contracts and agreements and the ability to use automation to pull out high-risk contract terms and requirements can facilitate compliance from both first-line and second-line perspectives. One organisation was charged by the government with regard to business practices, which motivated the organisation to strengthen its control over third-party contracts. The company brought in a contracts analytics solution to assess compliance risk. Contract terms and conditions were extracted automatically—with little human intervention—and then checked by an artificial-intelligence algorithm against compliance standards and regulatory requirements. The findings helped the organisation obtain a better picture of vendor



Figure 7

## Dynamics are investing in foundational technologies



Q. Which of the following best describes your compliance function’s use of each of these technologies?  
Response: Doing now  
Base: 56 Dynamics; 43 Actives; 83 Beginners

management issues and risk exposures, which served as stepping-stones in the development of management programmes and the creation of a continuous-monitoring process to improve control of vendor activities. Reviewers then began spending less time on tedious and labor-intensive review work and more time on comparing and correlating findings from various data sources, which resulted in increased productivity and improved efficiency. The budget necessary for implementing the continuous-monitoring process ended up being cut by half based on the technology enablers used in the assessment.

Developing an automation strategy that is aligned with the enterprise’s overall automation vision will contribute extensively to building a sustainable, technology-led compliance organisation. Questions compliance officers are exploring include, Which compliance processes can be automated? and Which technologies are agile enough to adapt to changing compliance needs?

### Dynamics invest in foundational technologies

Technology is a primary source of business efficiency, agility, and speed; and it holds the same promise for compliance. In the same way that CEOs are technology-enabling their businesses, so should executives technology-enable compliance. In addition to identifying opportunities for automation, Dynamics are investing in compliance-specific technology applications as a foundation for the support of legal- and regulatory-requirements monitoring and alert notifications far more than peers are (Figure 7). Our 2018 State of Compliance study also showed that leaders were pushing ahead on technology use. For example, 46% of leaders have data-warehousing and data extraction tools to support their real-time monitoring and analytics efforts, and two-thirds of leaders use technology to monitor employee compliance with compliance- and ethics-related policies and procedures.



# Enable the organisation to act on risks in real time

**Build services to deliver compliance insight early, and manage regulatory change proactively**

When compliance executives can get ahead of new and changing regulations, they can act more proactively to help their organisations prepare and respond and thereby achieve returns on investments from digital initiatives much sooner. But staying at the forefront of regulatory change can be very challenging—particularly for multinational corporations. Many compliance and ethics programmes rely on insights from external councils and manual reviews—in essence, relying on people to identify regulatory risks. That’s a difficult approach to maintain given the complexity of today’s global landscape and the new ways of doing business.

Dynamics are thinking of smarter ways to identify potential issues and to help their organisations maintain compliance. Nearly three-fourths of Dynamics are developing new services for their organisations or stakeholders compared with one-fourth of peers ([Figure 8](#)). Underlying the new services are data and technology. For example, compliance programmes are well positioned to use data and analytics to check the pulse of their organisations culturally as they go through the process of digital transformation. A corporate compliance function could analyse past and current employee surveys to spot patterns and trends related to compliance incidents that could indicate how well the organisation is adapting to new approaches or could predict the emergence of future compliance or ethical issues.

New digital tools also help Dynamics build cultures of compliance across their organisations. For example, in 2018, Kimberly-Clark Corporation launched an online code of conduct to provide an interactive experience where the visitor enters a virtual storefront to view leader videos, access training, and click through aisles to pull different resources off the shelves to address risk. “We are tracking how employees use the interactive Code to help us identify how we can better engage them and support day-to-day decision making,” said Kurt Drake, chief ethics and compliance officer. “If there are lots of clicks on the conflict-of-interest policy, for example, it tells us we may need to clarify the policy or provide more training. And if there are no clicks on a specific topic or risk area, that tells us something as well. For example, how can we encourage speaking up?” The next step is to use this information to proactively push training and communications based on what employees need to know and when they need to know it.

“In compliance, our job is to engage leaders to help support their day-to-day decisions. So how do we help the business understand the compliance risks in a particular situation so that they can win consumers the right way?”

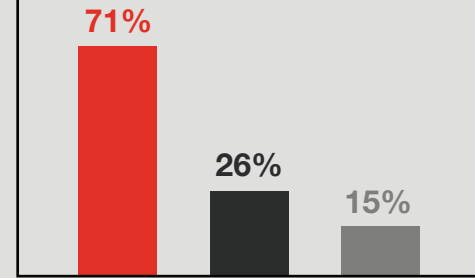
**Kurt Drake, Chief Ethics and Compliance Officer,  
Kimberly-Clark Corporation**



Figure 8

# Dynamics create new methods and services

My function develops new services for the organisation or its stakeholders such as real-time dashboards



Dynamics   Actives   Beginners

Q. Is your compliance function conducting or planning to conduct the following service-related activities based on the availability of digital technologies?  
Response: Doing now  
Base: 56 Dynamics; 43 Actives; 83 Beginners

Social media and other external—and often unstructured—data can be used to identify relationships between entities that are several nodes removed from one’s immediate suppliers. Such relationships might signal unethical or illegal behaviors such as what PwC offers in its [Know Your Vendor](#) solution. Financial institutions use databases of regulations globally to comprehensively monitor for regulatory change. Such databases serve as foundations for analytics that identify relevant regulatory changes based on organisations’ geographic scopes, business models, and client types. For example, PwC’s [Regulatory Radar](#) dashboards offer impact assessments of selected regulatory changes based on financial institutions’ business models and IT infrastructures. Such early-warning and prioritisation systems help compliance programmes efficiently identify—and get ahead of—regulatory change rather than have to rely solely on human knowledge of the regulatory landscape.

When compliance is scanning the globe for regulatory change, the function becomes both more proactive and more influential because the search enables it to paint a clear and comprehensive risk picture and uncover valuable insights early.

## How an industry leader used data analytics to fight channel partner corruption

A global technology company identified an opportunity to use data analytics in reducing its risk of corruption and for maintaining compliance with the U.S. Foreign Corrupt Practices Act. The company wanted a solution that could predict and identify corruption risks so that it could reduce and manage those kinds of risks before they became issues. To meet the challenge on a global scale, the company designed an end-to-end data-analytics-driven solution that pinpoints high-corruption-risk sales transactions for additional compliance oversight. The solution extends from initial price quote through order invoicing, and it offers detailed compliance review guidance.

By taking advantage of the latest digital technologies such as automation, machine learning, artificial intelligence, and data visualisation, the solution exposes transaction-level corruption risks by identifying trends, patterns, relationships, and outliers. By identifying corruption risks early in the transaction lifecycle, the company is in a better position to structure transactions so as to reduce those risks, which leads to ethical business practices and underscores the company's global commitment to integrity and honesty. In addition, the versatile solution set a standard within the organisation for contributions by data and technology that can improve compliance outcomes and result in competitive business advantage.



# Actively engage decision makers of key digital initiatives

Get—and stay—connected to be at  
the forefront of digital initiatives



Far too often, ethics and compliance executives get caught off guard as they learn of new digital initiatives that are far down the implementation path. Compliance is often an afterthought if compliance executives do not have strong stakeholder relationships.

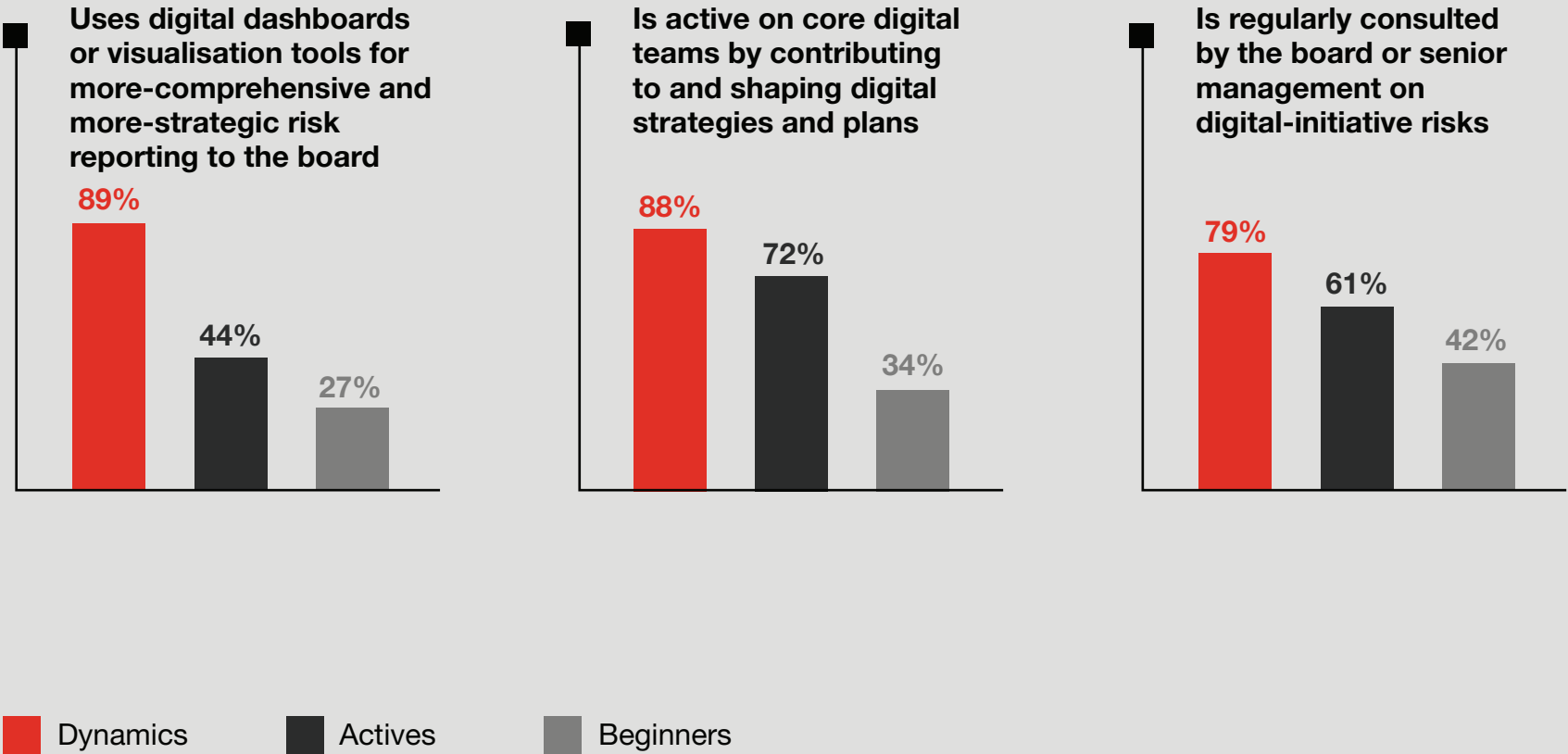
Compliance programmes should have an advantage in stakeholder engagement over other risk functions—especially when compliance is decentralised and embedded in the business. Staff who lead digital initiatives are more likely to have relationships with compliance and to work with compliance resources day in and day out. Relationships lead to trust, which is critical to compliance’s being invited to participate early on in digital initiatives.

There may also be some new relationships compliance needs to build as part of being engaged in digital transformation. For example, IT, engineering, and product development are usually involved in digital initiatives and may not be teams that compliance regularly interacts with in a steady-state environment; Dynamics appear to have established such relationships. Dynamics are active on core digital teams by contributing to and shaping digital strategies and plans ([Figure 9](#)). They influence strategic executive and board decisions about digital initiatives more often than peers do. And they use digital tools to communicate reporting far more often than peers do. All of those actions help compliance stay in lockstep with the business, engage early on, and provide a clear picture of strategic risks.

Figure 9

# Dynamics get—and stay—connected

My function:



Q. Please rate your level of agreement with the following statements about your compliance function.  
Response: Agree or strongly agree  
Base: 56 Dynamics; 43 Actives; 83 Beginners



# Collaborate and align to provide a consolidated view of risks

**Find ways to integrate activities and information across the lines of defence**

Good communication and close collaboration across the lines of defence are fundamental to making sure each group knows what the others are doing. No risk function wants to miss identifying a risk because it thought another function had the risk covered. In contrast, compliance and internal audit might duplicate efforts if they're uncoordinated, which is not only inefficient but also frustrating when stakeholders get asked for similar information from multiple parties. This level of coordination is a baseline for efficient and effective risk management.

Today, however, declining cost curves, technology capabilities, and quality data are making the fusing of many more activities affordable, feasible, and powerful. Our survey showed that working together and sharing investment across the lines of defence—from first to third line and whether those lines are formal or informal—significantly contributes to risk functions' digital fitness.

Dynamics distance themselves most with regard to their use of one set of risk metrics across the organisation and their level of collaboration on risk or issue trending ([Figure 10](#)). Dynamics also are taking advantage of governance, risk, and compliance (GRC) tools to collaborate with other lines of defence and to produce a consolidated view of risks. Dynamics reported having GRC tools that are fully integrated with other lines of defence at twice the rate of Actives. Many compliance and ethics programmes are also working together with other lines of defence to build digital talent by sharing investments in recruiting, training, and upskilling. Integrating efforts across the lines of defence is challenging, though, given that most business-unit compliance resources wear many hats and are primarily liaisons to corporate compliance. At the same time, compliance executives are well positioned to take the lead in the integration of risk functions because they are typically embedded in the organisation and do not adhere to the independence requirements that internal audit must uphold.

The ability to correlate data points across both existing and new data sources will lead to greater collaboration across the lines of defence and more-dynamic and proactive risk identification, monitoring, and testing. In other words, data can and should bring the lines of defence together. Both compliance and internal audit consume information in the same basic ways in order to identify, test, and monitor risks and controls. And as they build a single, more-comprehensive data lake of risk information, the ability to collaborate and align strengthens. For example, a data-enabled compliance function can focus on setting up programmes and on continual monitoring. And internal audit can focus on unique audits to learn the root causes of change when monitoring indicators warrant.

Each function has a role in the value chain, but collectively, risk functions become stronger when they work together. The integrity of the whole of risk management raises the integrity of all parts. Those that collaborate on funding and innovation can deliver value to the organisation beyond what each can do alone.

Figure 10

# Dynamics are integrating activities across the lines of defence



Q. Is your compliance function currently integrated or planning to integrate with other lines of defence in the following areas?  
Response: Fully integrated  
Base: 56 Dynamics; 43 Actives; 83 Beginners

## **A GRC programme brings a financial services firm a better way to manage risk**

Automating and aligning enterprise risk, operational risk, issue management, compliance, SOX, internal audit and third party risk management across an organisation can be a herculean task. One U.S. financial services company met the challenge. A Governance, Risk and Compliance (GRC) vision, programme and technology solution laid the foundation for this transformation. When complete, dozens of different risk rating scales were combined into one company-wide rating scale, and the number of uniquely defined business processes fell by over 80%, enabling alignment and communication across the three lines of defense that did not previously exist. Several steps made overhauling processes and structures for a common view of risk possible. The company established the GRC programme governance and change management structure; developed a common data framework; created standardized risk and control matrices; defined the three lines of defence operating model; aligned its risk framework with the company's strategic objectives; and promoted organisation-wide adoption of the new tool and processes using innovative and targeted change management techniques.

Today, the company credits gains in transparency, accountability and efficiency to the GRC programme— which is a key strategic initiative. Though its business transformation started with technology, executives say the GRC framework has fundamentally changed both how they manage risk and the corporate culture. It makes possible robust risk management and real time risk reporting, fortifies risk management governance and company culture, and helps the business meet its objectives through more timely, accurate and complete risk and compliance insights.



## A common controls framework streamlines work across the lines of defence

A global software company began a transformational journey to transition its product portfolio from on-premise software to the cloud, and its revenue model from up front to subscription. The company recognised that moving aggressively to the cloud would require extensive trust on the parts of both individual customers and enterprise customers, and it prioritised certification goals such as International Organization for Standardization standards as well as system and organisational controls to help build that trust.

At the time, security and compliance responsibilities were decentralised across various business units, with each unit relying on its own individual tools, controls, and processes. Cloud migration represented an opportunity to establish a unified controls framework rationalised into an integrated, companywide compliance programme that would help achieve stringent security and certification goals in the most efficient, most-cost-effective manner.

The common controls framework is now helping the company's compliance team as well as external attestation partners dramatically streamline control testing and ongoing monitoring. In addition, the team can confirm that multiple certification standards' requirements are being met simultaneously. For all new services, compliance review is embedded into the systems development lifecycle. Compliance review is also embedded into the integration process covering acquisitions. All of those efficiencies combine to benefit the company as well as its customers.

## Setting the pace for innovation

As the pace of change continues to accelerate, compliance and ethics programmes have to become strategic partners to their organisations. With the right technology enablement, they can truly be the ones that enable the company's digital transformation. But compliance and ethics programmes are at a critical juncture: they've never been more needed, yet they are often afterthoughts.

The lines of defence—from first to third—have to work together to deal with risk. For compliance and ethics programmes, that means pushing to the forefront of risk. Compliance and ethics programmes must anticipate forthcoming regulatory change and then plan how to adapt. In addition, they must identify regulatory and compliance risk early in digital initiatives so that their organisations can proactively and quickly respond to potential issues. That means compliance and ethics programmes must work differently: by offering new services and using new and existing data sources in fundamentally different ways. In summary, now is the time for compliance to define a radically different way of operating than it does today: a way that has a digital core.

### Six ways to advance

- Establish a role both at the overall digital governance level and in digital programme oversight. Compliance and ethics organisations can earn a position of influence and authority by demonstrating their relevance by communicating gleaned insights and judicious perspectives on new and emerging technologies and by articulating the costs of noncompliance as the company considers new digital capabilities.
- Design a sustainable talent development process that can adapt to the organisation's changing risk profile and recognise that talent needs may be very different from traditional compliance skill sets.
- Find ways to use emerging technologies to streamline compliance operations and contain costs. Don't think of emerging technologies as bolt on but as smarter ways to do more. Understand the drivers of the costs of compliance within the organisation, and investigate and determine whether automation and/or technologies can be put to use to reduce the costs of compliance such as by tapping into the organisation's strategic data lakes, performing data analysis, using extraction tools to analyse contractual agreements, and conducting continuous auditing and monitoring to replace costly compliance site visits.
- Look beyond incremental change. Find entirely new ways to get ahead of regulatory change and keep the organisation abreast of regulatory and ethical risks. Consider opportunities to automate by means of scanning technologies—the common manual processes that rely on costly external legal networks to identify regulatory changes.
- Expand the programme's pool of stakeholder relationships, and build trust to gain early participation in digital initiatives. Tap into the existing relationships that decentralised compliance functions have built throughout the organisation and identify new leaders and drivers of technology initiatives that may be outside the compliance programme's traditional network.
- Take the lead in the integration of risk functions' collaboration, alignment and investment strategies. Identify points of integration that are most relevant to the efficient management of risks, and refocus available resources and compliance efforts on more-proactive management of regulatory risk with regard to the organisation's digital initiatives.

[www.pwc.com/us/stateofcompliance](http://www.pwc.com/us/stateofcompliance)

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