

Future of Compliance: People deep-dive Part II – Culture

Rethink the people side of compliance
March 2021



Compliance of the future and people impacts

Do you have the right skills, the right mindset and the right culture?

In our insight paper *Future of Compliance: Not sleeping at night?* we introduced three areas to consider when evolving compliance.



Our *Future of Compliance* paper is available [here](#).



People

Deep dive into the people side of compliance

The **challenges for the future compliance function are manifold** and are frequently linked to people topics, meaning that **transforming compliance** isn't just about implementing technology and streamlining processes. It's also **about the people, having the right skills, the right mindset and a supporting culture**.

The people deep dive is divided in two parts. **Part I** shows **what people skills** you need and **how to assess the skills gap**. Furthermore it gives you an idea on **how to get the right people** and points out what you need to emphasise while doing so.

Part II discusses the **importance of the right mindset and culture** to render your team and organisation compliance future-proof. It shows you what dimensions you need to consider in order to **support a culture where people can, want to and make the right decisions**.

The importance of corporate culture in compliance management

Consider the **plethora of compliance issues** organisations faced in the last few years, such as possible discrimination inherent in facial-recognition tools, the Volkswagen emissions scandal, and massive cyberattacks and security breaches, which only increased with the coronavirus pandemic.

The reasons for these breaches are manifold. However, one underlying force is the **compliance culture** in an organisation, which can prevent or promote non-compliant behaviour.

By culture, we refer to the **self-sustaining patterns of behaving, feeling, thinking and believing – that determine ‘how we do things around here’**. For instance, this could be the prevailing belief about ethics and compliance in an organisation, how people are behaving, or what their feeling and commitment towards the organisation is.

Influencing the corporate culture in favour of ethics and compliance can – amongst others – decrease the risk of noncompliance and support leaders in taking the right risks confidently before the connected market opportunities evaporate. **But how can you create a compliance culture?**



‘Self-sustaining patterns’

because culture has inertia—without a really strong and persistent force, it won’t change its course



‘Behaving’

because what people feel, think and believe is reflected in—and shaped by—their daily behaviours



‘Feeling, thinking and believing’

because both the emotional as well as the rational sides matter



Create a compliance culture by generally focusing on behaviours. Diagnosing the current culture is the first step in making your culture work for you.

1

Diagnose the existing culture and define culture aspirations

Gather data to understand behavioural traits:

- **Assess the existing culture** in concrete, specific and objective terms
- **Identify key cultural traits**, including strengths and potential challenges and **which of them help or hinder compliance**
- **Define culture aspirations**

2

Focus on the 'critical few'

- Define and prioritise **critical few behaviours** (target ~3) to evolve the culture that:
 - can easily spread
 - will drive performance
 - will advance key business needs.
- Identify and prioritise **the critical few teams** that will make the most difference

3

Integrate formal and informal enabling mechanisms

- Use **informal approaches** to build emotional commitment and pride (e.g. networks, peer interactions, exemplary motivational leaders)
- Deploy **formal mechanisms** to reinforce and sustain the desired 'critical few' behaviour changes

4

Measure results

- Determine **measurement objectives** and design criteria
- Determine **measurement approach** and design tools
- Repeat measurement at regular intervals to **monitor progress**

Diagnose the existing culture to identify which traits and behaviours help or hinder compliance

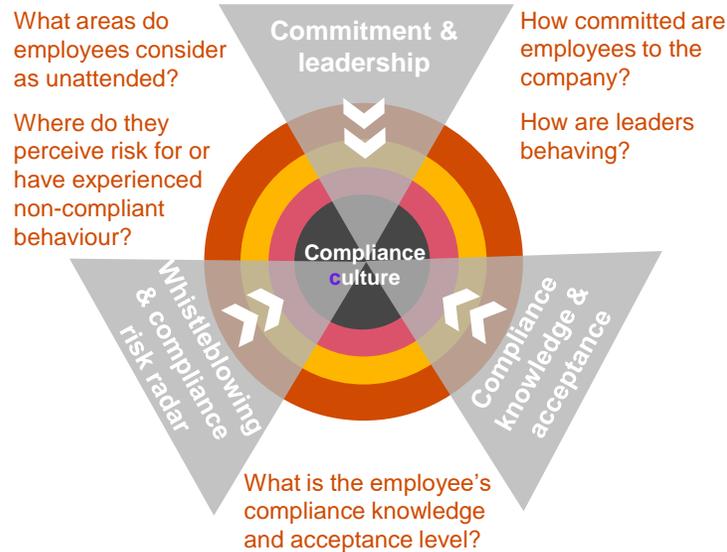
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With a **culture diagnostic** you can generate a ‘thumbprint’* of your culture with associated strengths and challenges to understand the existing culture.

Use interviews with senior leaders, surveys, focus groups, etc. to **gather your culture** ‘thumbprint’*.

Identify which of the traits **hinder or help a compliance culture** in your organisation in order to be able to change them.



Org/Unit Element	Questions	Answer Choices
Decisions & Metrics	Are there single points of accountability or does decision-making tend to happen by consensus?	Single point of accountability vs. Consensus
	Do individuals within the organization tend to be risk-averse or is there acceptance of conflict?	None vs. Acceptance of conflict
Motivation & Commitment	Does the organization focus more on preventing problems before they arise or fixing problems as they occur?	Prevent vs. Fix
	Is the organization focused on specific processes or specific problem-solving opportunities as they occur?	Process-Focused vs. Problem-Focused
Information & Structure	Do employees regularly experience an "I know and have it, unless they work immediately as a member of the organization, I have to ask them for it" situation?	Always-asked-for vs. Always-known
	Does the organization have a strong, consistent, and visible compliance risk radar?	Compliance-Focused vs. Not-Compliance-Focused

Relevant Survey Questions	Results (average across all respondents)
How aligned are your culture traits with those that enable compliance?	
Does the organization focus more on preventing problems before they arise or fixing problems as they come?	Fix ————— Prevent
Does the organization value depth or breadth of knowledge more?	Breadth ————— Depth
Does the organization focus on following specific processes / procedures or is improvisation encouraged?	Improvisational ————— Process-Focused
What is the organization's attitude towards risk?	Comfortable with Risk ————— Risk-Averse

Bold answer choices represent "ideal" answer choices in alignment with Compliance

*The Culture Thumbprint survey tool has been developed through the Katzenbach Center's years of experience, and provides a quick means of reaching all levels of your organisation. The 'thumbprint' is a collection of traits unique to your organisation and the strengths and challenges that they bring. The tool can also be used to assess an organisation's culture for coherence with specific strategic aspirations (e.g. innovation, customer centricity)

Select and focus on the critical few behaviours to evolve the culture



Behaviours are powerful because they have the ability to **rapidly drive changes** in business performance and culture. Critical behaviours are drawn from cultural priorities, e.g. compliance, and are illustrated differently for different levels and subgroups.

Using behaviour effectively



- Define behaviours that are clear, **emotionally powerful** and well recognised
- Behaviours should leverage energy associated with the **positive cultural traits** with the organisation
- Behaviours should clearly signal the departure from 'business as usual' and motivate a new kind of performance

Challenging conventional wisdom



- Two schools of thought: **change mindsets vs. change behaviours**
- Often, companies try to change mindsets by communicating values and printing them on big posters and expect behaviours to follow
- However, experience shows **that targeting behaviours will ultimately influence mindsets – and culture**

Why changing behaviour works



- Well role-modelled behaviours go **beyond rational compliance** with instructions
- **They develop 'emotional commitment' and 'social proof'** as an informal and interactive mechanism for compliance amongst others
- **Simply put: people do what they see their superiors and peers doing** and what creates successful outcomes for them

Examples of critical behaviours

“Speak up and escalate if required”

“Think holistically and consider the whole picture including possible risks”

“Consistently document transparently”

“Stay vigilant and apply critical thinking”

Organisations with a compliance culture tend to possess certain traits which can cause tension with other strategic aspirations

Culture traits and behaviours that **enable compliance**, because they require a focus on e.g. processes, rules, and risk aversion, **often conflict with traits needed for other strategic aspirations** such as **customer centricity, digitisation or innovation**.

These **tensions** need to be addressed and **carefully managed** in an organisation.



TRAITS THAT SUPPORT THE **STRATEGIC ASPIRATIONS**

COMPLIANCE

INNOVATION

In companies with a **compliance culture**, 'how we do things around here' involves a focus on **process, risk-mitigation and internal operations**

Focusing on internal operations

Being process-focused

Risk aversion

Pursuing incremental change

vs.

Focusing on external customers

Embracing improvisation

Being comfortable with risk

Pursuing revolutionary change



Integrate formal and informal enabling mechanisms that support and help embed compliance behaviours



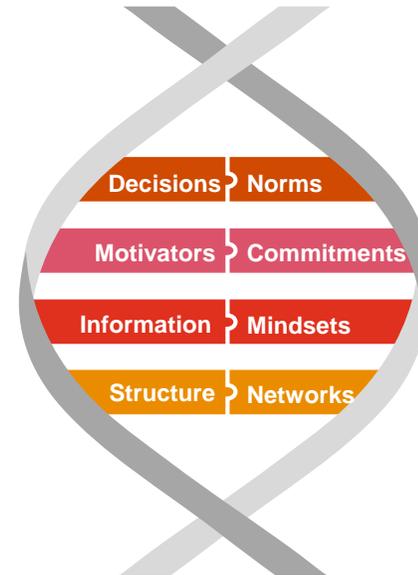
To select and implement an appropriate combination of intervention levers remember:

- to consider the **extent of leadership capacity** required for the interventions and ensure that you can count on it
- to **not run more than a handful** of interventions in order to avoid overwhelming the organisation
- that **informal change levers** are 2–3 times more likely than formal levers to achieve change that lasts
- to **test the changes with a pilot group** in order to learn if the behaviours in focus are having the desired compliance outcomes. Then scale to the rest of the organisation.

Formal mechanisms to build emotional commitment and pride

- Governance forums
- Policies & processes (bonus, malus)
- Recruiting & onboarding
- L&D/training
- Comp & benefits
- Incentive plans
- Performance reviews
- Corporate communications
- Leadership development

Organisational DNA framework



Informal mechanisms to reinforce and sustain the desired critical few

- Tone from the top, lead by example
- 'Moments that matter'
- Authentic informal leader network
- Dialogue & real team engagement
- Peer-to-peer interaction
- Communities of common interest
- Storytelling
- Performance pilots
- Leader alignment

'How decisions are made'

'How people are compelled to perform'

'How the organisation formally processes data and knowledge'

'How work and responsibilities get divided'

'How people connect beyond the lines and boxes'

'How people instinctively act or take action'

'How people make sense of their work and environment'

'How people are inspired to contribute'

Measurement is critical to success – measure the right things, in the right frequency and in the right ways



Every organisation is different and the same should be true for a sound plan for cultural transformation and the ways of measuring it.

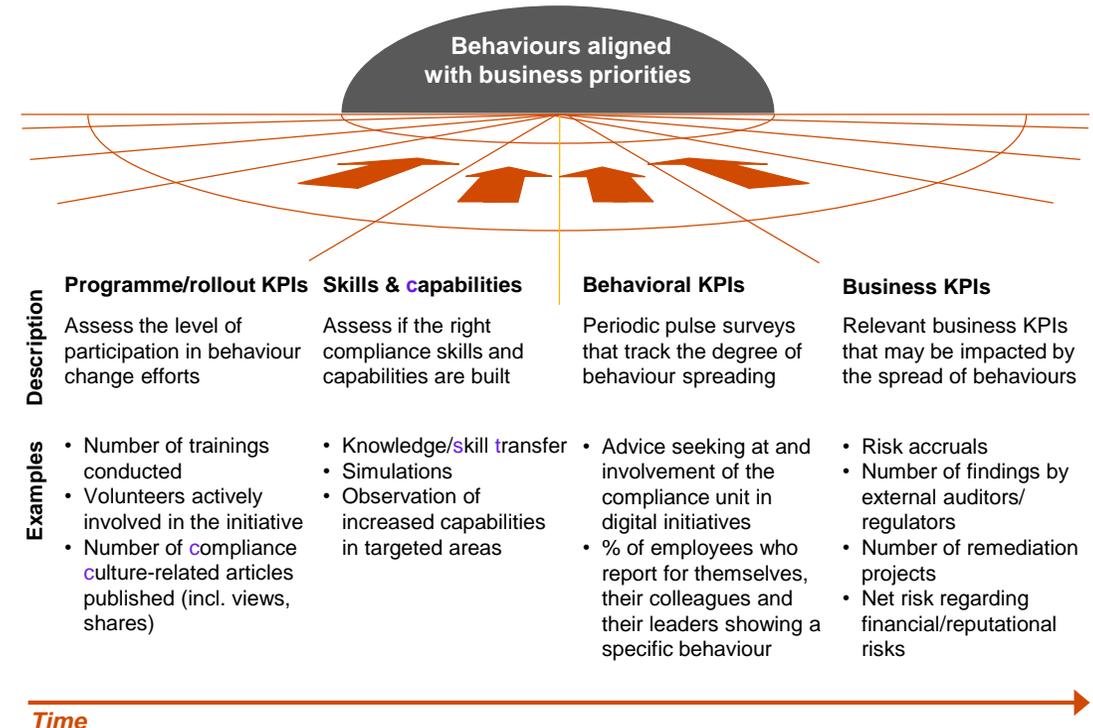
Think about measurement not as one magical score, but as a convergence of multiple data points. For instance it is hard to demonstrate behavioural change through a multiple choice assessment alone. Make sure you consider different metrics to track the improvements. These can be program KPIs, skills and capabilities, as well as business metrics.

Consider co-creating the metrics with leaders and employees across the organisation to ensure a broad view of the organisation is considered.

Choose a metric good enough to get going instead of getting caught up in looking for the perfect measure. Start with a few pilots and showcase the positive results.



Chose a customised, multi-pronged set of dimensions that evolve with the programme to measure success



The role of the chief compliance officer is key

The creation of a healthy compliance culture depends heavily on the standing of the chief compliance officer within the organisation as well as on their engagement with the organisation's day-to-day operations and initiatives.



Chief compliance officers need to **get a seat on the board** where the organisation makes the **substantial decisions**. Early **involvement** is key, has to become the new normal and also has a **signalling effect** regarding the **importance and value** of compliance within the firm.

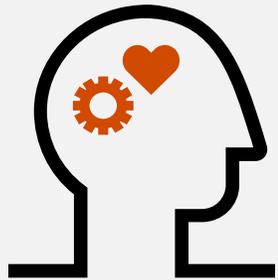


Compliance becoming **solution oriented** will turn its reputation from being a cost centre **to being more of a revenue driver** by protecting the brand or enabling smooth business functioning.



To influence a culture of compliance in your organisation you have to get the four key components right

ENABLERS OF COMPLIANCE CULTURE



Taking responsibility for compliance

Enabling compliance through infrastructure

Day-to-day-management of compliance

Compliance capability & knowledge management

Speaking up and reporting culture

Strategic leadership & compliance communication

In order to be successful on your future of compliance journey, you need to **build the right relationships, fundamentally shift mindsets, equip people with the right skill sets and design for compliant behaviour.**



Build the right **relationships** and connections to foster **trust and open communication.**

Encourage the organisation to admit mistakes and to learn from them.



Make sure you influence the **mindset** around compliance and ethics, including values and ways of thinking, by **targeting behaviour** through role modelling, communication and **consequent measures** in case of noncompliance.



Equip your people with the right compliance **skill sets** and capabilities, give clear guidelines across the organisation – people and leaders – in order for them to behave appropriately and eventually to be able to take risks confidently.



Use change levers to reinforce **behavioural** change. **Appropriate reinforcers** (e.g. incentivisation structure, aligned targets) need to align with the behaviours you want to drive. Use **active leadership and example from the top.**

Summary: How to create a compliance culture and encourage employees to always do what's right, whether or not anyone is looking

What you can do

Culture is different from other business topics: it's implicit rather than explicit, emotional rather than rational—that's what makes it so **hard** to work with, but that's also what makes it so **powerful**.



Work with and within your cultural situation to **diagnose the existing culture** and **define culture aspirations**. Build on the strengths to mitigate challenges and set cultural priorities based on alignment to strategic intent.



Link behaviours to business objectives and prioritise **3–5 'critical few'** behaviours that will bring the **most impact** in the near future. Use **active leadership** and **examples from the top**.



Integrate formal and informal enabling mechanisms and cross organisational methods to go viral. Authentic informal leaders are integral to activating the informal organisation and driving behaviour change.



Use **experiments and pilots** to rapidly proliferate behaviours through the organisation and quickly measure early results.

Important takeaways

- As a CCO, make sure to have **traction** within the organisation to **influence the culture** positively.
- **Target and change behaviours**, mindsets will follow.
- Make behaviours **actionable** and specific.
- Make compliant behaviour so **commonplace** that it's not even given a second thought.
- Align **incentives** to reward employees for doing 'the right thing'.
- Carefully manage **possible tensions** between the behaviours linked with compliance and the behaviours linked with other strategic aspirations, such as **digitisation, disruption** and **increasing sales**.
- To **measure the success** of culture transformation, choose **different indicators** and measure frequently. As you target behaviour change, behaviour change-related objectives have to be defined and tracked.

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