



How Award-Winning Compliance Programs Measure Effectiveness

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Introductions



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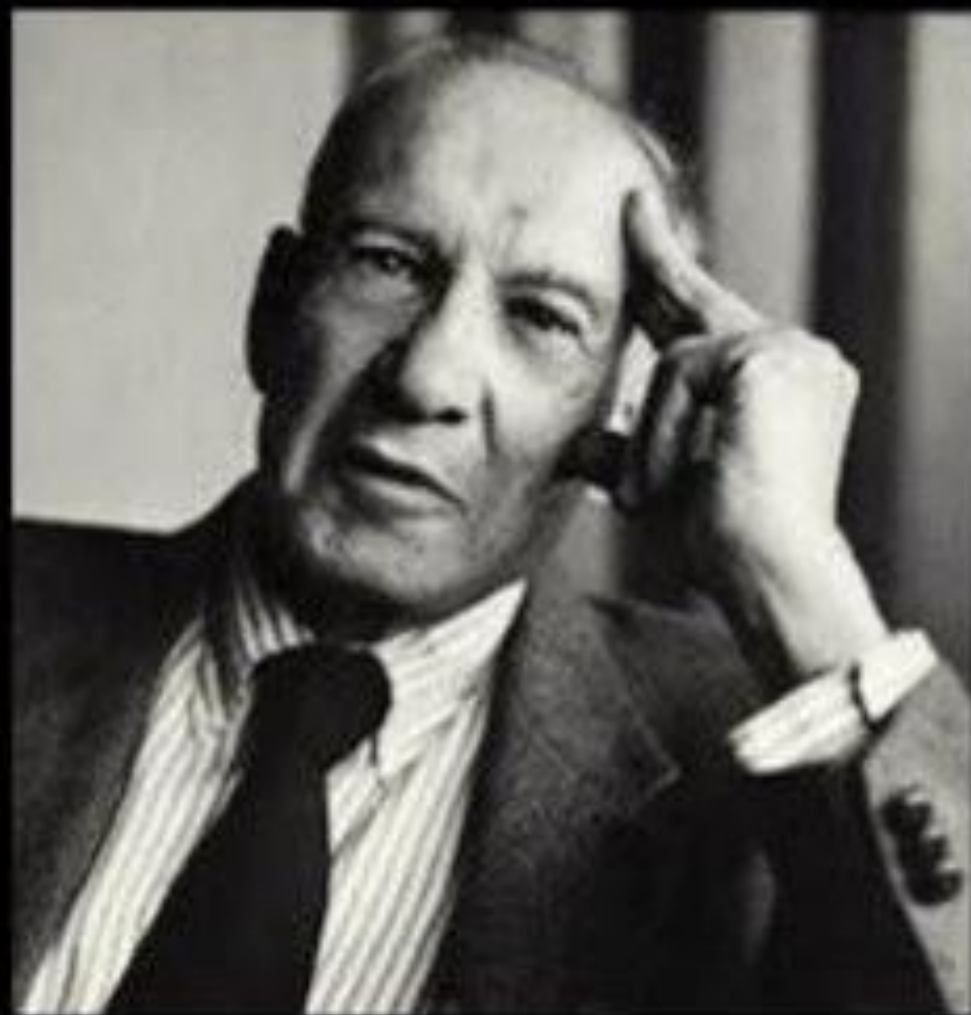


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Learning Pool

Why Measure Effectiveness?

The Business and Regulatory Imperative





**“If you can’t
measure it,
you can’t
manage it”**

Peter Drucker

The DOJ Dimension: Updated External Guidance

On June 1, 2020, the DOJ's Criminal Division published an updated Guidance Document (the "2020 Guidance") for prosecutors to use in evaluating corporate compliance programs.

The 2020 Guidance clarifies, reorganizes, and supplements the 2019 and 2017 guidance. Notably, the updated version is organized into three "fundamental questions" a prosecutor should ask at three distinct points in time:

- The time of misconduct;
- The time of a charging decision; and
- The time of resolution

The DOJ's Three Fundamental Questions:

- 1 "Is the corporation's compliance program well designed?"
- 2 "Is the program being applied earnestly and in good faith?" In other words, is the program being adequately resourced and empowered to function effectively?
- 3 "Does the corporation's compliance program work" in practice?"

What does the DOJ care about training and communications?

Risk-Based Training

Is training appropriately tailored for high-risk areas, and controls around those areas?
Does it include case studies to address real-life scenarios and/or guidance to obtain ethics advice?
Do supervisors (or those with approval authority) receive different or supplemental training?

Appropriate Form and Content

Is training delivered in a form appropriate for the audience?
Is training delivered in a language appropriate for the audience?
Does the content address lessons-learned?
Is there a process by which employees can ask questions arising out of trainings?

Effectiveness

How has the company measured effectiveness of training?
Have employees been tested, and how does the company address those who fail a portion of training?
Has the company evaluated the extent to which the training has an impact on employee behavior or operations?

Communications about Misconduct

Has the company relayed information in a manner tailored to the audience's size, sophistication, or subject matter expertise?
What communications have there been generally if there has been discipline around violations of policies, procedures, and controls?

Availability of Guidance

What resources are available to provide guidance relating to company policies?
How has the company assessed whether employees know when to seek advice or willingness to speak up?

The unrecognized cost of status quo

Disconnected training impacts a culture of compliance

- Top reasons training misses the mark
 - Not aligned to roles
 - Not tailored to the organization
 - Too much legalese
- Employees are less likely to report instances of actual or perceived wrongdoing
- Negative perceptions of organizational justice damages a company's speak up culture

INSIGHTS FROM OUR CULTURE QUOTIENT DATA SET: VOLUME III
Investing in Engaging and Effective Training

The Case for Investing in Engaging and Effective Training and Communications

THE IMPACT OF INEFFECTIVE TRAINING AND COMMUNICATIONS ON PERCEPTIONS OF ORGANIZATIONAL JUSTICE

As discussed in prior reports, employees who were aware of a wrongdoing but did not report it commonly provide two explanations as to why: the wrongdoing would be done about the same if it were not reported. This poor perception of organizational justice is a corrosive factor that can undermine a company's ability to identify and address wrongdoing.

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WHAT OUR DATA TELLS US: THE IMPACT OF TRAINING AND COMMUNICATIONS—YES, QUALITY REALLY MATTERS

As we often say, the good news for compliance officers in our data set is that Pillars One and Two—awareness of the functions and perceptions of its effectiveness—are generally the best-performing pillars for organizations. On average, more than 90 percent of respondents provide positive responses to the questions in these pillars. This makes sense, as most companies have invested considerable resources in policies, procedures, training, and communications.

THE IMPACT OF INEFFECTIVE TRAINING

In Pillar Two of our survey, we ask employees a series of questions about their perceptions of the effectiveness of the training and communications that come out of the ethics and compliance function. We're seeking to understand whether they feel like they're equipped with the information they need to do their jobs the way the company wants them to.



TOP REASONS TRAINING MISSES THE MARK

- ▶ Not aligned to roles
- ▶ Not tailored to the organization
- ▶ Too much legalese

DESIGNING EFFECTIVE TRAINING AND COMMUNICATIONS: HOW TO USE THIS DATA

Hopefully this data will help you respond to the next person who questions why you need to invest more training or communicating about ethics and compliance. The impact of poorly executed training and communications is substantial, and it is without question worth your time to consider whether there are opportunities for you to focus your efforts even more. We see many companies adopting the following innovative

modalities for

trainings and

QR-

For the population who does not receive training and communications and whose impact is huge. These employees are 67 percent less likely to identify wrongdoing than a colleague who found the training and communications effective.



67 percent

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effective.

The types of misconduct indicated as the clearest types to identify: bullying, harassment, intimidation, and violence in the workplace.

Three times less likely to indicate that they observed more complex or nuanced types of misconduct, such as misuse of company intellectual property, trade controls violations, or bribery.

Five times less likely to indicate observing antitrust or competition law issues or cybersecurity/privacy issues.



INEFFECTIVE TRAINING LEADS TO LOWER REPORTING RATES

In the population of people who found training ineffective, if they did identify misconduct, they were 63 percent less likely to report it than someone who found the training and communication material effective.

If these employees

most likely to

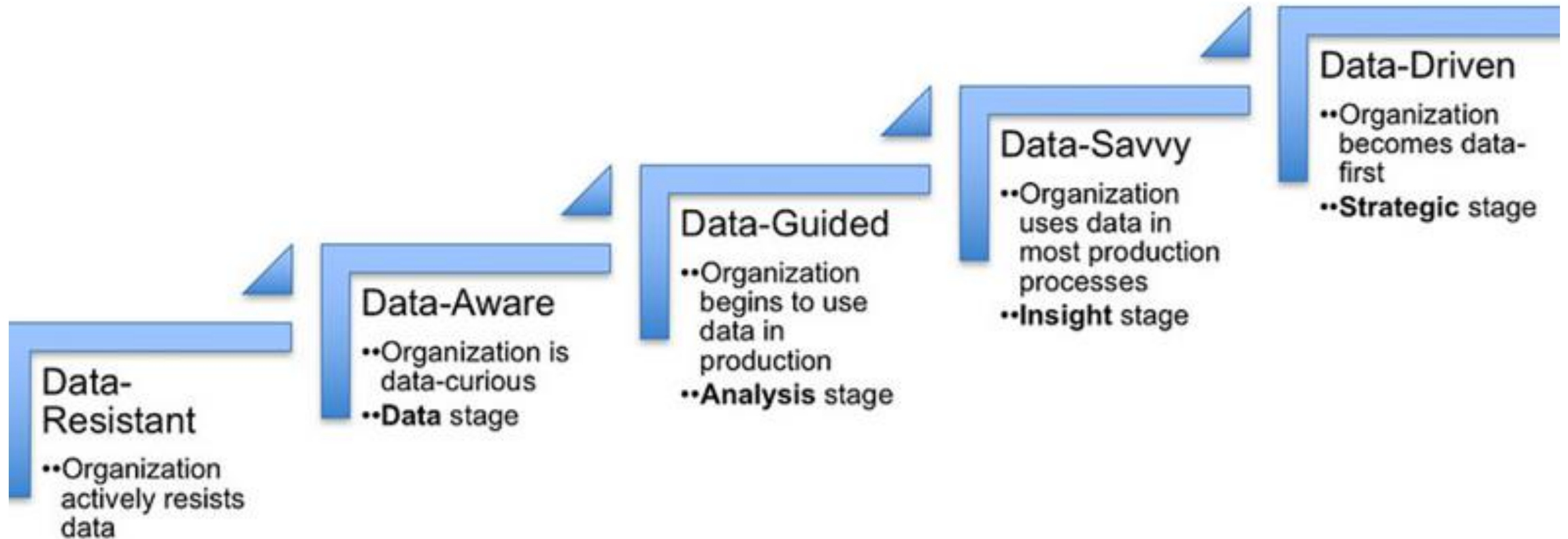
report


The true business case

- Resource Allocation: use data to decide where to invest efforts
- Program planning: personalize program year over year to your audience
- Cost Savings: reduce time and organizational investment
- Quantitative Protection: help prove sufficiency and efficacy
- Reputational Evolution: more deeply integrated to business outcomes



Data maturity model



A black laptop is open on a light-colored wooden desk. The laptop screen is white and displays text in a sans-serif font. The text is centered and reads: "Reflective Moment: How would you rate your current measurement maturity?". The word "Reflective Moment:" is in a dark red color, while the rest of the text is in a dark blue-grey color. The background behind the laptop is a blurred indoor setting with a window showing greenery outside.

Reflective Moment:
How would you rate
your current
measurement maturity?

Poll question

How would you rate your current measurement maturity?

- a) Data Resistant
- b) Data Aware
- c) Data Guided
- d) Data Savvy
- e) Data Driven



Doing it Right

Learning from Best Practices

The measurement myth: Activity tracking

Completion Stats

Pass Rate

Quiz Scores

Activity by Week

Activity by Location

Time Spent

Mobile vs. Tablet

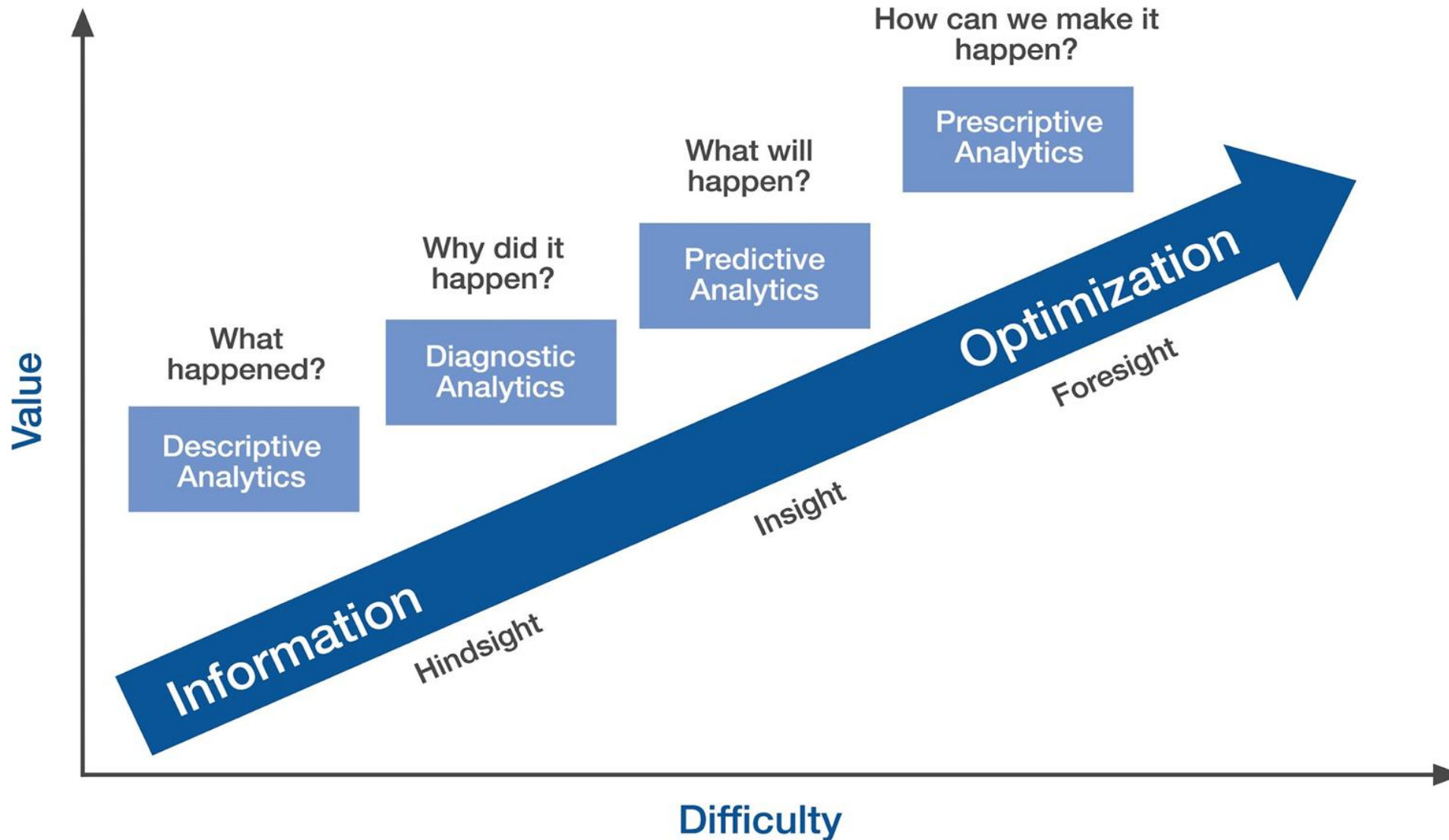
Poll Results

Confidence Survey



**Usage Data/
Hindsight
Metrics**

Why go beyond hindsight data



Organizational Risk Scorecard

Risk Area	Risk Rating	Impact Rating	YoY Trend	Behavior Performance	YoY Trend	Reports	YoY Trend	Verified Incidents	
Anti Corruption	High	High	—	80%	—	7	▼	5	▼
Harassment	High	High	▲	74%	—	2	▲	2	—
Conflicts of Interest	High	High	—	79%	▼	4	▲	2	—
Information Security	High	High	▼	92%	▲	9	▼	8	▲
Data Privacy	High	High	▲	89%	▼	1	▼	1	—
Ethical Decision Making	Medium	Medium	—	95%	▼	0	▲	2	▼
Diversity and Inclusion	Medium	Medium	—	99%	▲	1	▼	1	▲
Competition and Antitrust	High	High	▲	84%	—	0	—	0	▲
Insider Trading	High	High	▲	90%	—	2	▼	2	▲
Anti Money Laundering	High	High	▼	88%	—	2	—	—	▼
Economic Sanctions	High	High	▼	93%	▼	0	—	—	—

True
Co

ABC Trucks

Where the data lives

- Self-identified from the business (“hey, this seems risky...”)
- Compliance risk assessment process
- Helpline data
- Audit findings
- Transactional data
 - Pre-approvals/Third party payments (ABAC)
 - Gifts, Travel, Entertainment
- Disclosures
- Behavioral insights from training

My personal recipe for **compliance training**

- Tailored to specific role/function/region
- Avoid content overload
- Practical exercise (stories/ real scenarios)
- What is expected and W.I.F.M.
- Where can I get **HELP!**?



Empowering managers: Pre-work



Aligning Content

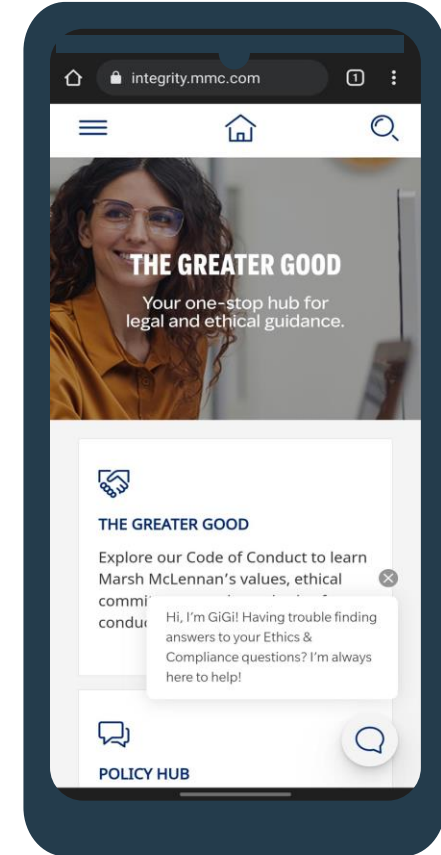
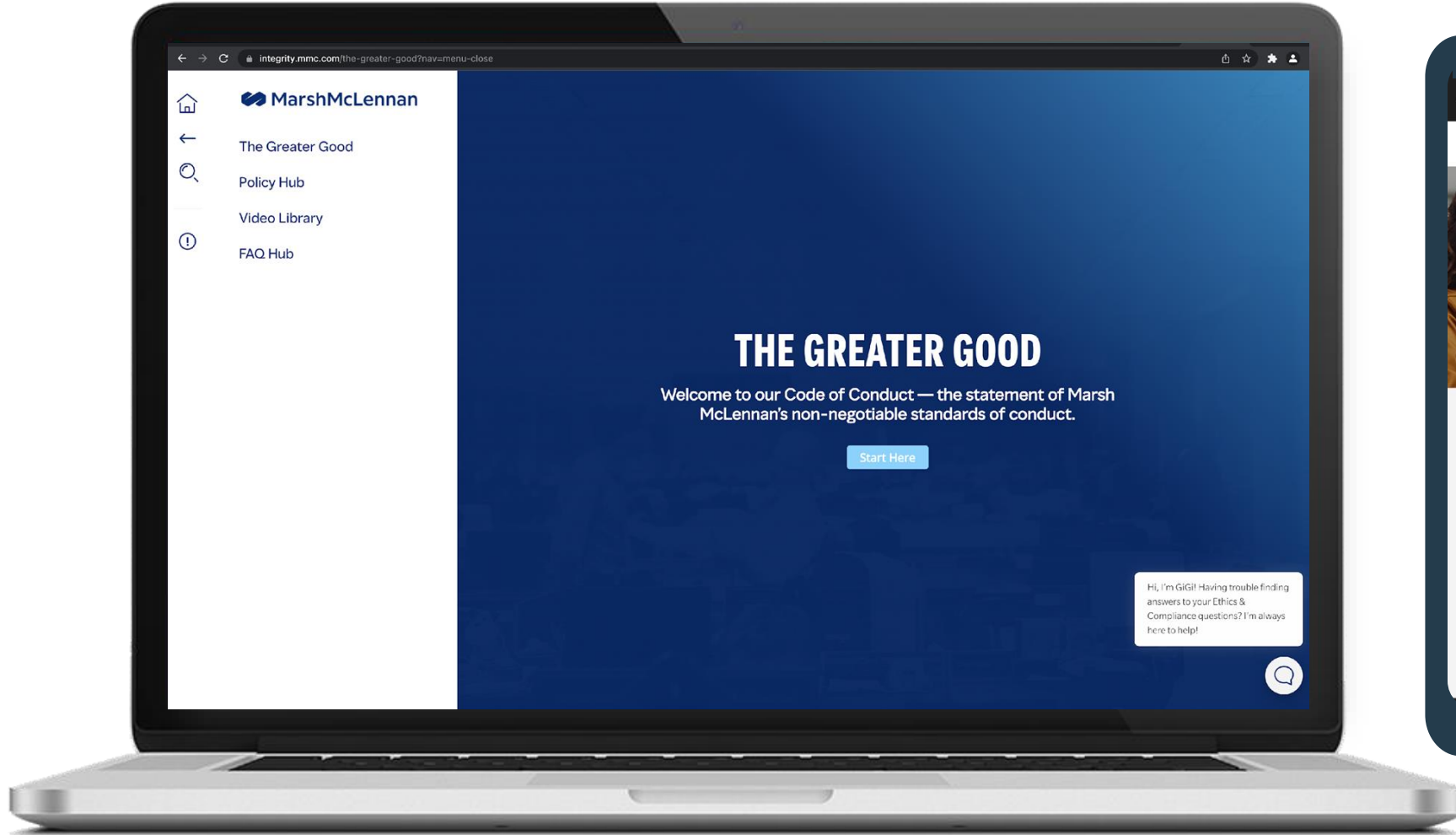


Humanizing the Tone



Incremental Enhancements

Going digital



Dedicated manager training

Background:

People managers have significant influence on ethical culture across organizations. A study by Ethisphere shows that employees whose managers engage regularly with them about ethics and compliance are twice more likely to be comfortable approaching their manager with concerns or questions

90%

more likely to have faith in the organization's commitment to non-retaliation

24%

more likely to believe they have a personal responsibility in making sure the company does the right thing

Marsh McLennan Compliance will provide purposeful toolkits for managers and Compliance Officers to lead **periodic** discussions with teams on relevant ethics and compliance topics.



Self-paced toolkits with visual and/or video aids to support managers and Compliance Officers.



15-minute scenario based, manager-led discussion guides for virtual or face to face delivery.



Designed to address common E&C risks and culture-blockers.

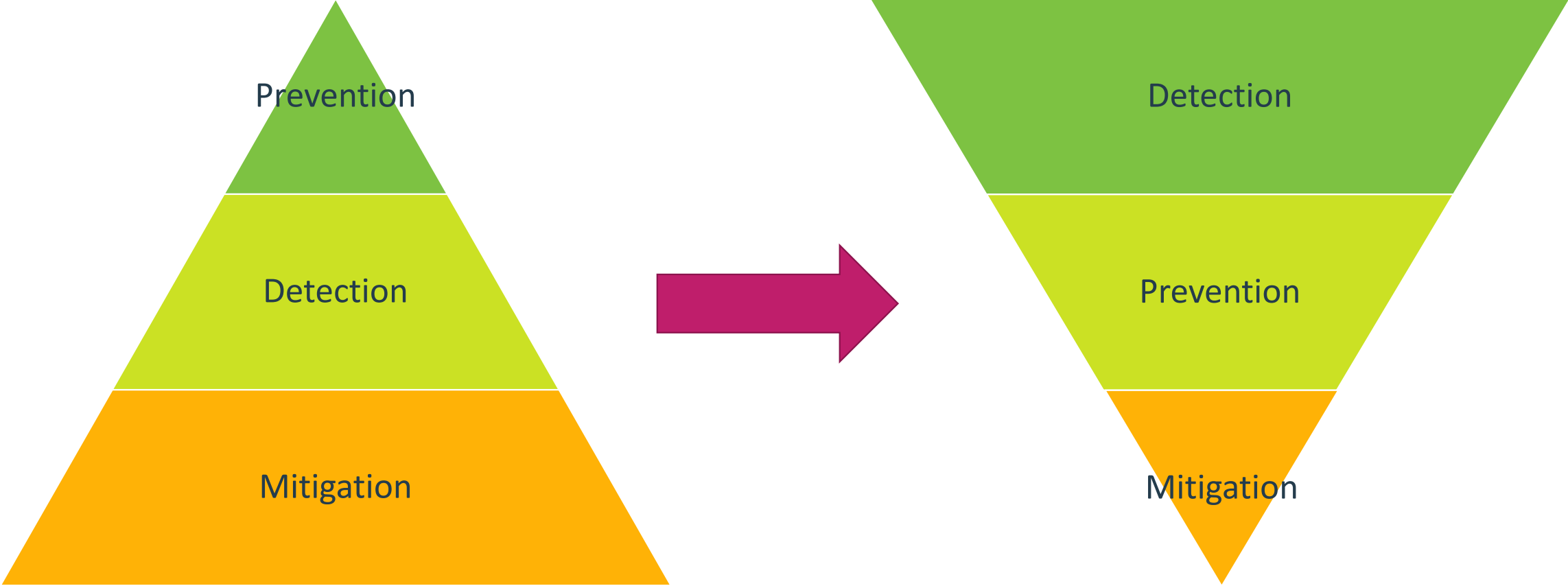


Measuring Effectiveness

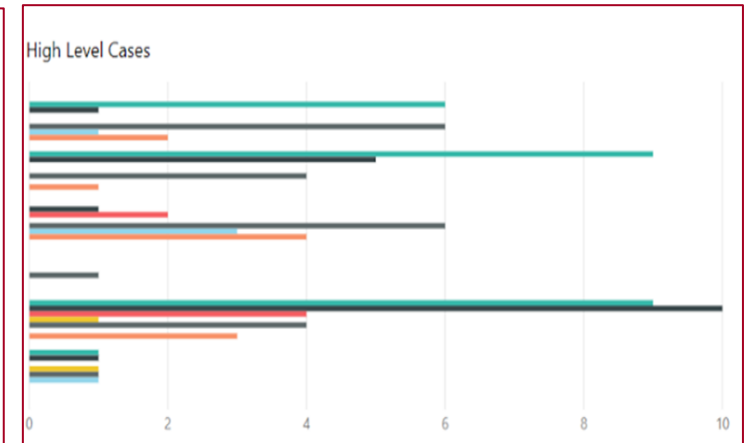
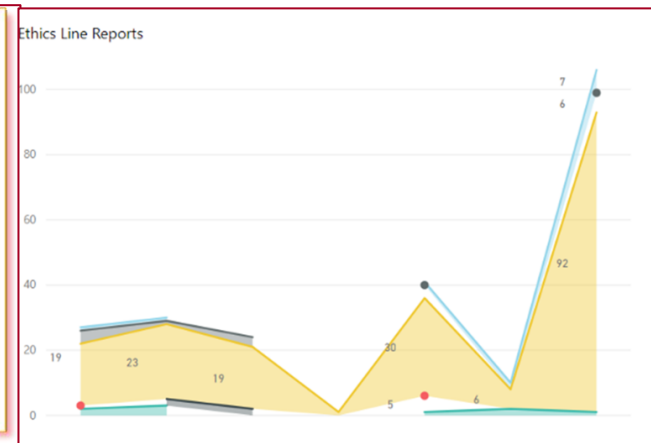
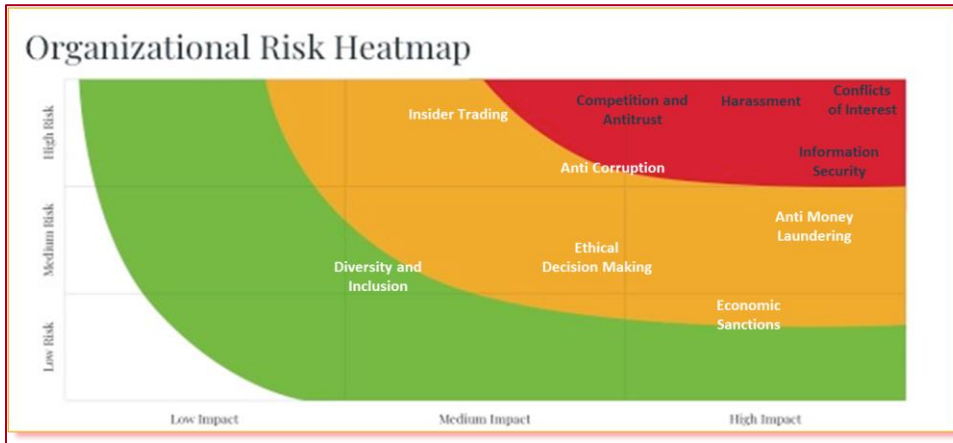
The Final Picture

The intrinsic reward

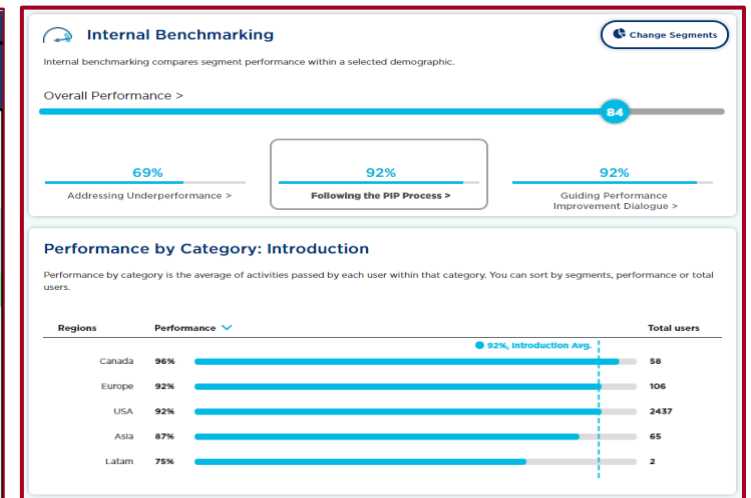
Using data intelligence to focus on proactive, rather than reactive compliance



Bringing it together



Risk Area	XYZ Company Behavioral Performance					
	Behavioral Performance					
Export Controls (207 learners)	Overall	Export Basics	Controlled Items, Licenses and Permits	Sanctioned and Restricted Parties	Roles and Reporting	Business Partners
	86%	75%	80%	90%	91%	95%
Anti-Corruption - 2017 (1,148 learners)	Overall	Payments	Introduction	Third Parties	Expenses	Recordkeeping
	86%	79%	80%	84%	87%	92%
Competition and Antitrust Global (4,641 learners)	Overall	Abuse of Market Power	Anticompetitive Agreements	Communication and Documentation	Reporting and Non-Retaliation	Competition and Antitrust Laws
	87%	69%	83%	89%	93%	100%
Economic Sanctions (1,004 learners)	Overall	Reporting Violations	Performing Due Diligence	Introduction to Economic Sanctions	Types of Sanctions Programs	Questions and Concerns
	94%	89%	89%	96%	100%	94%



And remember...

- Start small
- Don't be afraid of trial and error
- Don't work in a silo
- Evangelize your “why”
- Contextualize the data
- Integrate into the business
- Keep going!

Measuring the Culture of Compliance

Many transactional metrics can be analyzed to measure culture of compliance, including:

▶ Financial Transactions:

- Risky Deals
 - ▷ High risk deals/total deals
- Fraud
 - ▷ Fraud revenue/total sales volume
- Sales Integrity
 - ▷ % of spend that is non-compliant
- Expense Fraud
 - ▷ % of expenses that are fraudulent/ non-compliant
- Brand Perception:

▶ Brand Sentiment – customer

- NPS Analysis

▶ Brand Sentiment – market

- Twitter/NLP sentiment analysis

▶ Employee Recruitment:

- # of applicants/ # of interviews
- % minority applicants/# of total applicants
- Time to fill the role

▶ Employee Voice:

- ▷ # of issues reported per thousand employees
- ▷ # of disclosers per thousand employees
- ▷ # of questions asked per thousand employees
- Anonymous Reporting
 - ▷ total anonymous cases/total cases
- Substantiation Rate
 - ▷ Substantiated cases/total cases to assess level of frivolous cases

▶ Organizational Justice:

- Retaliation Rate
 - ▷ Retaliation cases/total cases
- ‘Silent’ retaliation rate
 - ▷ Salary progression of whistleblowers vs. peers
- Investigation Resolution Time
 - ▷ Average closure times as measure of organizational justice
- Fair Resolution
 - ▷ Actions by each organizational level/total actions
 - ▷ Actions by each organizational level and performance rating/issues reported

Let's Connect!

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Marcus' LinkedIn QR Code



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Chief Compliance Officer

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