



## **How to Culturally Embed Your Compliance Program Through Local Compliance Champions**

**Compliance and Ethics**



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A fundamental question for every compliance program is how to foster a culture of ethics and compliance that is embedded in the company's business operations and strategic objectives. Not just at the corporate offices, but also in the day-to-day activities at the local business level. This question can be particularly challenging for large companies with numerous employees spread across multiple global locations, each potentially with a different language, culture, and way of working.

How can the program resonate with each local site? How can it be accessible and relevant for each employee? This is where a network of local individuals can help. In many companies, these local compliance representatives are called compliance officers, liaisons, or champions. But even though the names may differ, they have a shared goal: to help build a bridge between compliance and local employees. In doing so, a local compliance officer program can amplify company values and compliance initiatives and lift local voices, in a way that makes compliance more meaningful for all employees, regardless of their location. This article discusses how to build that bridge in a way that is both strategic and practical.

## **Key benefits to a local compliance officer or champions program**

A local compliance officer program can provide several key benefits to an organization's compliance program.

### **Enhanced oversight and accountability**

Local compliance officers can provide on-the-ground oversight, values amplification, and controls

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accountability that helps in promptly identifying and addressing potential compliance issues.

## **Program localization**

Local compliance officers understand the cultural and regional nuances in ways that can localize and deepen a compliance and ethics program's impact by tailoring initiatives to be more effective and relevant for all employees while still maintaining consistent corporate standards.

## **Improved communication and training**

Local compliance officers can facilitate more personalized, understandable, and meaningful compliance communication, training, and awareness within the organization.

## **Proactive risk management**

Local compliance officers are well-positioned to feel “the pulse” of the local business and better able to identify potential risks and implement preventive measures before they escalate into significant issues.

Additionally, most compliance programs need to find creative ways to maximize their impact in an efficient manner. LCO's offer the potential for additional personnel to further drive that impact.

## **Selecting local compliance officers: Responsibilities and considerations**

One of the most important parts of building a local compliance officer program is selecting the right individuals. They need to be informed, engaged, and effective. The selected individual will become the face of the program to local employees. The program's success depends, in large part, on their ability to be the local connection and champion for the program.

The term local compliance officer or champion is statutorily defined in certain highly regulated industries. For most companies, however, the role can be adapted to the company's (and the compliance program's) objectives and needs, but typically centers around five key responsibilities:

1. Exemplar

Setting the example and being an advocate for ethics and compliance.

2. Educator

Providing or supporting compliance awareness and training efforts.

3. Facilitator

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Leading and/or supporting the local execution of compliance initiatives.

4. Issue spotter

Encouraging a speak-up culture and listening to local issues and concerns and raising them to the compliance team.

5. Connector

Acting as a link between the compliance team and the local business.

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The criteria to consider in selection largely depends upon the objectives for the program, but would typically include considerations regarding an individual's personal integrity, respect in the organization, familiarity with compliance or controls subject matters, understanding of the local business operation and issues, and an ability to influence local operations and employees.

Some companies select compliance officers / champions, while others may use an open application process. Some create part-time additions to full-time roles, while others are full-time roles committed to compliance. Oftentimes individuals in the Finance and HR functions are particularly well-suited for the roles. Regardless of the selection process or preference, selecting the right individual is a key factor to success.

## **Building a sustainable program**

While selection is a key contributor to success, ensuring that the work is built around a programmatic framework is nearly as important for the long-term sustainability of the work. There are five key elements to developing an effective framework:

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## **Strong support from leadership**

Ensure that the local compliance officer program has strong support from the organization's leadership.

## **Clear roles and accountability**

Define the roles and responsibilities of local compliance officers clearly. Ensure they have the authority needed to perform their duties effectively while also recognizing the need for accountability to achieve the program's objectives.

## **Local visibility and independence**

Establish local visibility for the compliance officers as well as independence within the organization. Local employees should know who the compliance officer is, and that they are a resource for sharing concerns or questions.

## **Regular communication (up and down)**

Develop a process for regular connections and communications between corporate compliance and the local compliance officer group as well as between local compliance officers and local employees with an emphasis on compliance initiatives, on-going training and development, and maintain a good line of sight into emerging issues.

## **Monitoring and enhancement**

Implement regular monitoring and evaluation processes to assess the effectiveness of the local compliance officer program. Use feedback and data to make continuous improvements.

Remember, the goal of a local compliance officer is to further embed the compliance program into the company's culture and operations, so a flexible approach that is tailored to the local business will have the biggest local impact. It's OK to start small, but think programmatically. Every program has a starting point, and sustainable ones systematize their governance and operations, oftentimes building on successes and learning from failures.

## **Leveraging the program: Potential initiatives**

Now that the local program is up and running, there are several key initiatives that the local compliance officers are well-positioned to help drive at the local business level. These depend largely on the structure of the program and the company's commercial strategy and operations, but it can include training and awareness, reporting mechanisms, investigations, risk assessments, third-party management, monitoring, and other areas.

### **Training and awareness**

Training and awareness are common initiatives where local compliance officers can provide significant and immediate impact.

Many companies provide enterprise-wide employee training, such as training on the company's code

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of conduct. Local compliance officers can help supplement this training with more targeted campaigns specifically focused on issues facing the local business. For instance, if a local compliance officer is in a jurisdiction that has unique gift and entertainment requirements for certain groups, regular reminders of those nuanced regulations can help bolster and localize broader policy outlines that apply to all employees.

Local compliance officers can also bridge language and cultural differences in many cases, providing training examples that resonate locally. For example, local compliance officers can incorporate local topics, like *hóngbāo* (red packets) in China, into discussions of the company's anti-corruption efforts. The local compliance officer's ability to draw upon examples from their own shared life experiences can make the training and awareness efforts more authentic and impactful for local listeners.

## **Reporting | Speak Up campaigns**

Local compliance officers can also provide significant positive impact in connection with compliance reporting and speak up campaigns.

Oftentimes local compliance officers have enhanced visibility into emerging issues at the local level and can help escalate those issues in an expeditious manner. They can also humanize reporting mechanisms. Corporate compliance hotlines and compliance personnel located thousands of miles away can feel impersonal and intimidating, particularly to employees with less experience or fewer interactions outside the local business. A local compliance officer can offer a more personalized and accessible reporting channel. If employees are forced to choose between calling a hotline or calling a compliance professional who could be half a world away, there is a risk that they don't make that call at all, and that's the worst possible outcome.

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While local compliance officers may not be able to answer every question or solve every issue, they should be able to escalate quickly when something comes to their attention, and employees are more likely to call someone they know, who speaks their language and understands their unique business pressures. By including the local presence in global speak-up campaigns, those campaigns may speak more directly to the local employees and provide a familiar face to help identify and escalate concerns.

## **Commercial activities: Compliance integration**

Local compliance officers can be uniquely situated to help embed compliance into key commercial activities, such as third-party management or accounting controls.

By understanding local people, process, and systems, local compliance liaisons can enhance the real-time and comprehensive integration of its corporate controls within local procedures and be a backstop to help ensure that those local procedures are consistent with corporate requirements. For instance, the ability to understand the local third-party lifecycle can offer significant insights into how to insert key compliance gating controls (e.g., the when and how of third-party partner due diligence or similar screening) into common commercial activities. Additionally, local compliance officers, particularly those with a Finance background, are typically well-versed in the company's accounting process and controls. That familiarity can help localize the application of compliance controls and monitoring and are oftentimes better positioned to review and flag (or train the relevant employees to

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review and flag) unusual or suspicious activity in the company's records.

While there are many initiatives that would benefit from local compliance officers' guidance and integration, the key is finding ones that are risk-based and impactful.

## **Long-term sustainability requires evolving into a program**

The success of a local compliance officer initiative depends on numerous things. It requires finding the right individuals; those that can set an example, but also play multiple roles (e.g., educator, facilitator, connector, and issue-spotter) in a manner that is accessible and impactful to the local operations and employees. And while finding the right individuals is important, long-term sustainability depends on evolving those individuals into a *program*. One that can provide enhanced local oversight, communication, execution, and risk management. One that makes compliance more personal, more accessible, and more impactful for all employees, and, by doing so, is able to drive deeper cultural adoption of the company's commitment to ethics and compliance.

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