## *Data Analytics?  For Compliance Officers?*

### The DOJ now expects it!  Wait.  What?!?

Between a pandemic, countries in quarantine and entire workforces operating remotely, the changes are tangible in our everyday lives, let alone in the changes to expectations for the profession. This summer, the US Department of Justice, set forth clarified guidance and data lies at the core. According to the guidance, compliance, risk and legal professionals are expected to leverage data, metrics, and other objective evidence to demonstrate compliance program effectiveness.

Many companies are good at leveraging analytics and actionable data for customer insights and situational awareness, but not nearly as much effort has been put into understanding and using compliance and legal metrics. Historically, compliance and legal have used rather anemic measures such as training completion rates and code of ethics attestations, which are clearly no longer enough. Companies need to use meaningful data to assess and remediate corporate compliance programs, as well as to prove program effectiveness.

Ensuring that your organization (and its compliance program) are delivering on the expectation of data analytics, you need to start at asking **POWERFUL** questions. Asking critical questions of the program and using data to guide understanding is how the process begins.  As the DOJ articulated, key questions begin with:

- Do compliance and control personnel have sufficient direct or indirect access to relevant sources of data to allow for timely and effective monitoring and/or testing of policies, controls, and transactions?
- Do any impediments exist that limit access to relevant sources of data and, if so, what is the company doing to address the impediments?

But beyond the questions of access and whether impediments can be eliminated for the data, there is the series of questions about what type of data is actually being collected for use.

To determine the effectiveness of the data, it all starts with asking the right questions.

**Questions may include (based on your industry):**

How has the pandemic changed organizational behavior?

How is data being used to influence risk assessments?

How is data influencing policies and procedures?

What do we know about fraud historically and how it can be detected earlier?

Is the company mission, vision and purpose in alignment with articulated values and incentives?

How do compensation practices align with measurable desired behaviors?

Is performance on training predictive of risk area and hotline complaint trends?

How many payment transactions were modified, stopped or more closely examined by compliance or legal for compliance concerns?

How many questions required follow up in due diligence for M&A activity and how quickly did remediation take place?

How many third parties were identified in each tier of risk and how many were suspended, terminated or audited for compliance issues?

The DOJ has provided a roadmap for consideration, but there is precious little guidance on the exact analytics and metrics that would be helpful in an evaluation of the effectiveness of corporate compliance programs. Data can prove extremely effective in helping compliance and legal professionals to successfully make their case for the effectiveness of these programs and meet increasing levels of regulatory scrutiny.

Organizations should consider increasing their investment in data analytics for compliance purposes and should develop a cross-functional approach to identify potentially useful sources of data and complementary technologies.

Because not all data is the same or even meaningful from organization to organization, it's important to create customized solutions. One size doesn't fit all when it comes to data analytics.

## *A Tale as Old as Time*

Compliance, ethics, legal and risk have seen the story play out again and again, whether it was Enron, Arthur Andersen, Theranos or "too big to fail" banking… In all cases, there are examples of the amazing power of good decision and the devastating destruction wreaked by bad decisions. The real human capital and societal impacts have powered a professional passion: to enable good, ethical, risk-based decision-making. At the end of the day, that's really the fundamental mission for anyone in compliance and risk roles.

What companies decide to do over the coming weeks and months will have ramifications for them and their key constituents – customers, employees, business partners, and shareholders – for years, if not decades, to come.

Now is the time for companies to take a leap forward with compliance and risk joining together with data analytics to reach more powerful and impactful decision-making in real time.

Companies that can focus and harness the raw horsepower of these analytics for good – and that can do so with speed, with flexibility, and with the awareness of early warning signals providing clues as to what's coming next – will be in a strong position to help drive ethical decisions for their companies, organizations, or governmental institutions.

## *A Framework for Success – Quick Start Analytics*

To achieve rapid success, it is important to use "quick start analytics."  Its three core tenants are widely viewed by the world's leaders in leveraging data & analytics to drive best-in-class decision-making.

The three primary characteristics that set world leading data analytics apart:  they are *fast,* they are *flexible,* and they are *aware*.

But what does this mean very practically for compliance and risk professionals? It means that following the steps below will help you both best manage through the crisis of the day and prepare for a post 2020 world.

## <u>Being Fast</u>

You can't be fast if you are big and bulky.

So, thinking or being small, staying very focused on what matters most, and being nimble are all key success factors.

Specifically, there are levers to pull to build speed into your current process: (1)

focus on an agile, use case driven approach, (2) get analytics staff closer to the compliance and risk professionals; and, (3) rethink how your analytical insights flow across the business.

Having an agile, use case driven approach that creates value in weeks, not months or years, is critical.   Finance departments will likely be looking hard at every penny of spend.  If you don't already do so, begin tracking the benefits of your analytics-led recommendations to the business and use this to make your case for additional analytics investments and resources or, at a minimum, to keep what you have.

Being able to get analytical insights to key business users really fast is going to be key in the Next Normal.  It's important to rethink how you disseminate analytical insights.  In many cases, insights functions can come across to a business user as that kind of academic, ivory tower group. That's the last thing you will want to be doing right now. So, it's not just about providing insights that all roll up and all come to a corporate center.  Think about how you can move analytics from "analog to digital."  Make the insights actionable and create clear remediations that are aligned to the elements of your compliance program.

## Being Flexible

Building flexibility into your approach will be critical to help your company survive and thrive during this massive change.  All this portends a shift to more dynamic management in a more complex and unpredictable environment. The industry leaders of the future—stalwarts and upstarts alike—will be able to build out flexibility to better navigate and manage uncertainty.

Companies and their consultants have long used scenario planning as a tool for managing uncertainty. Perhaps unsurprisingly, this exercise is becoming increasingly common once again as executives feel the impact of global economic and social forces on their operations and attempt to understand what the future holds.  Scenario planning aims to help clients resolve key strategic issues shrouded in uncertainty. The objective is to get management thinking about future events and how it could best react to them if and when they occur. Will new regulations be passed? How long and severe of a downturn will we face in our sector? Will a new technology supersede the old?  This approach yields a divergent set of scenarios that represents a plausible set of potential alternative futures.

While the future is highly uncertain, key signposts are highly knowable and track-able.  They are "tells" for the management team to understand which scenario is playing out.  Incorporating proper analytics into your compliance and risk program will uniquely position your organization to separate meaningful signal from noise to enable good decisions in a highly uncertain world.

## Being Aware

Understanding the mind of the employee, distributor, third party or the impact of a new product introduction or of a lot of other elements that require speed to market and are a little more fuzzy and don't have the kind of nice, neat, traditional questions typical of analytics answers. The questions now in a Covid-19 world are tougher to neatly answer and will remain so in the aftermath of it. For example, what's happening on the ground or with a specific business unit or geographic segment in a really quick way that we can actually take action on?

### *In Summary – Key Tactics to Move Forward*

The key is quite simply to keep moving forward with speed, the flexibility to act upon potential paths forward, and with the awareness to see clues that will ultimately shine light on the best path forward.

Don't wait. It's time to get moving.

## TACTICS SUMMARY

### *Be Fast*

- Focus on an agile, use case driven approach
- Rethink how your analytical insights flow internally

### *Be Flexible*

- Adopt dynamic management principles
- Leverage scenario planning
- Track the signposts that provide early warning on what scenarios are playing out

### *Be Aware*

- Leverage employee insights for early warning on changes in activities, behavior, and regulatory actions

About the authors:



Lisa Beth Lentini Walker is the CEO of Lumen Worldwide Endeavors, a firm specializing in compliance, governance and ethics consulting as well as executive coaching to improve performance and well-being. She is an adjunct professor of law at Mitchell Hamline Law School. Lisa Beth is a skilled global business partner that has led award winning legal and compliance departments within large public corporations and privately held enterprises. She does this by strategically aligning resources to create efficiencies and advising the board of directors to further strategic initiatives while mitigating risks in all aspects of the domestic and global operations. She has held corporate secretarial, legal, compliance, ethics, governance and risk positions as an attorney at a Fortune 50 corporation, as the compliance leader of a global travel company operating in 150 countries and as the corporate secretary, chief compliance officer and co-chair of the risk council at a NYSE-listed corporation. Lisa Beth also served with US Securities and Exchange Commission in Washington, DC, in the Divisions of Corporation Finance and Enforcement.

Lisa Beth is a member of the Minnesota, New Jersey, New York and District of Columbia bars. She previously served as a board member of the Society for Corporate Governance and the SEC Historical Society.

She delights in the art of possibility. In her free time, she is an advisory board member to a women's fashion startup, Alice Riot, she serves on the board of Stages Theatre (a children's theatre) in Hopkins, MN, is part of the organizing committee for the Team Women (MN) annual leadership conference, and is a member of the Board of Directors of the Society of Corporate Compliance and Ethics and the Healthcare Compliance Association (SCCE/HCCA).

Contact Lisa Beth at lisabeth@lumen-we.com.

Find out more about Lumen's compliance, ethics, governance and risk consulting practice at www.lumen-we.com.



Bill Hoffman is Founder and CEO of Tradecraft, an Analytics consultancy with a team of award-winning data scientists focused on helping clients generate revenue via Quick Start Analytics while building their internal analytics capabilities. Clients include the world's leading companies in retail, financial services, travel, hotels/casinos, advertising, and digital across a wide range of analytics engagements from customer analytics work to analytics supporting digital, marketing, operations, and human resources (workforce analytics).

Bill served as U.S. Bank's Chief Analytics Officer and had responsibility for Customer Relationship Management (CRM) strategy, execution, and governance at the leading financial services company. Prior he was Senior Vice President of Customer Insight & Strategy for Best Buy where he created and led the Consumer Insights Unit (CIU) responsible for the Customer Analytics, Customer Research, Competitive Strategy/Market Intelligence, Market Analytics, and VOCE (Voice of the Customer through the Employee) teams.

He also served as Senior Expert in McKinsey & Company's Strategy Practice, a Partner at The Gallup Organization, and in SVP roles for Bank of America, including leading the Mass Affluent segment strategy.

Hoffman began his career at the Central Intelligence Agency where he earned the Balkans service medal & two exceptional performance awards; he also served in the United States Naval Reserve ending his tenure as a Lieutenant (Intel).

He in an alum of DePaul University, Georgetown University, and the University of Oxford and was selected for the Minneapolis/St. Paul "40 Under Forty" award in 2012.

Contact Bill at bill@tradecraftinsights.com

Find out more about how to leverage Quick Start Analytics and Tradecraft's broad analytics suite at www.tradecraftinsights.com or www.quickstartanalytics.com