

March 20, 2020

COMPLIANCE AND THE CORONA VIRUS

Why during uncertain times the work on compliance and corporate culture cannot go on shutdown

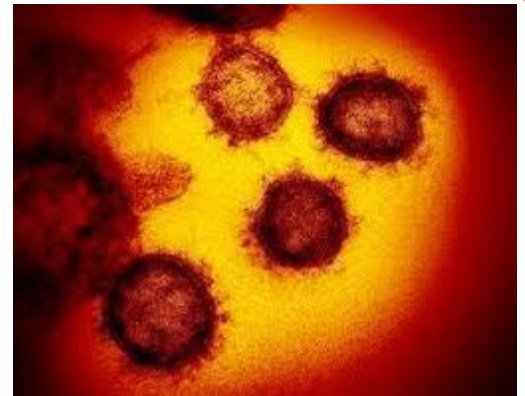
By Gabe Shawn Vargas

Given the many critical health, staffing, and financial decisions that companies are currently having to make, some compliance functions may feel it appropriate to “lay low” until the situation clears up. They may fear interfering in management’s efforts to keep the business going and address the mounting economic challenges.

Yet the current situation is precisely the type where a compliance function can show

its true value. For the reality is that ethical and compliance pressures do not take a break during an economic downturn. In fact, it is often during such times when an organization’s values and culture are most severely tested, and the compliance function must be there to provide leadership.

As the corporate world struggles to cope with the current corona virus threat, here are four practice tips for compliance functions.



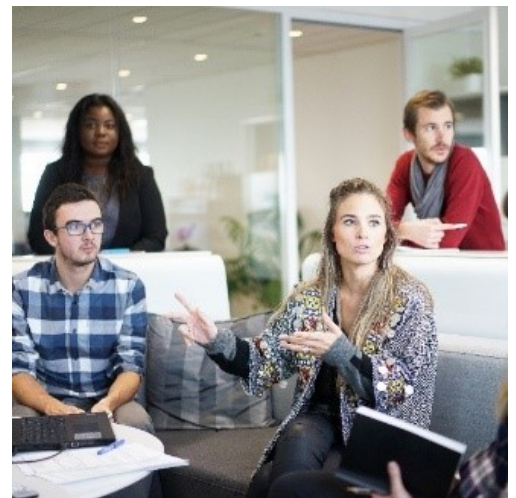
“The reality is that ethical and compliance pressures do not take a break during an economic downturn”.

1. Offer help where needed.

As your company deals with the unexpected, a first opportunity for the compliance function is to show its sense of team. Are there urgent non-compliance tasks with which it can assist? The goal here is not just to help where help is needed but to stay relevant. Each interaction by compliance personnel with other managers and employees represents an opportunity to engage, influence, and help ensure activities are being conducted in a compliance responsible manner.

2. Keep culture and values on the front burner.

Unprecedented market conditions require companies to take unprecedented actions. This can create tensions as management tries to balance, for example, care for customers and employees with their duty to protect the company financially. As critical decisions are made, compliance can be the voice that reminds of the importance of testing proposed actions against the company’s values and culture. It can, for example, re-emphasize that its staff is there to help with difficult ethical decisions and communicate on where the code of conduct can be relevant for the company’s current challenges.



3. Reassess risks but don't lose the long-term view. In times such as these the risk landscape has changed. Activities to address potential future risks, while important, may need to make way for actions relating to more immediate risks. These may involve health, safety, and cyber security, as well as certain regulatory matters (such as insider trading given the very volatile stock market conditions).

However, the effective compliance function will not allow the current crisis to cloud the long-term view. Reasonable work on prevention should not be abandoned so long as emergency needs are being met. In fact, some compliance functions may face a decreasing volume of day-to-day work as the company's business activities slow down. This can present a unique opportunity to work on longer-term matters, such as optimizing processes and policies and developing new compliance training materials. In fact, with at least some employees in the company having more time available, the current period could lend itself to carrying out virtual compliance training that in busier times could be more difficult to schedule. However, the content and tone should be adjusted to fit today's environment and sensitivities.

4. Draw the larger lessons. The corona crisis offers many lessons beyond those relating to viruses and pandemics. For companies, it raises questions such as: Do we have a culture of preparedness? How much time do we devote to topics such as contingency planning and business continuity? Are we relying too heavily on any single country or supplier for critical supplies or services? How often do we do stress testing and hold drills to assess the ability of our staff to work under varying scenarios? And do our corporate training goals include developing crisis management skills?

For a compliance function the lessons are also manifold: Did we do enough to contribute to the company's needs as described above? Did we define our role too narrowly? And, for the next crisis, will we be prepared to continue to offer our compliance services even when we don't have the usual access to buildings, people, and documents?

In one area compliance does not stand alone. The current situation pressures all functions to find virtual and more efficient ways to deliver their services. This pressure may actually help compliance functions long-term, particularly those that have been slow in embracing digital transformation. A crisis can also be an opportunity, and it is up to compliance leaders to find the silver lining.



Photo: Wile



"The current situation pressures all functions to find virtual and more efficient ways to deliver their services. This pressure may actually help compliance functions long-term, particularly those that have been slow in embracing digital transformation."

FOR FURTHER READING

See Gabe Shawn Varges "Managing Ethics and Compliance in Times of Economic Turbulence" available at <https://hcm.com/news-and-media/>. This article offers lessons from the economic crisis of 2008-2009.

GABE SHAWN VARGES

Senior Partner, HCM International and Chairman of the GECN Group

Senior Lecturer and Director of Compliance Studies, University of St. Gallen Executive School

© 2020 by the author. All rights reserved.