

STRONG COMPLIANCE IN DECENTRALISED BUSINESSES

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CONTEXT – A BIT ABOUT PEARSON

- [Pearson](#), founded in 1844, is the world's leading learning company
- We provide learning materials, technologies, assessments and services to students and teachers in order to *help people everywhere make more of their lives through learning*
- 40,000 employees, operating in 70 markets worldwide. 2014 revenues of \$7.5billion. Emerging markets revenues - \$1.3billion / 16% of global revenues
- Activities include:
 - Help more than 12 million students in higher education improve results with MyLab - our online homework, tutorial, and assessment product.
 - Deliver 13 million professional tests to enable more people around the world access skilled employment through Pearson VUE.
 - First FTSE 100 company to offer degrees - Pearson College London.
 - US: mark more than 50 million state and national tests, 20 million were online.
 - South Africa: more than 10,000 students in Pearson's higher ed campuses
 - China: teach more than 100,000 English language students in 200+ teaching centres.
 - Brazil: more than 450,000 students at Pearson sistemas schools.

SIX ELEMENTS OF COMPLIANCE

CREATING A COMMON FRAMEWORK FOR COMPLIANCE

1. Leadership, Governance and Organisation



2. Risk Assessment



3. Policies, Procedures, Standards and Controls



4. Training, Communication and Awareness



5. Monitoring, Auditing and Reporting



6. Investigation and Response



Embedded and Integrated

BUILDING A [VIRTUAL] COMPLIANCE TEAM

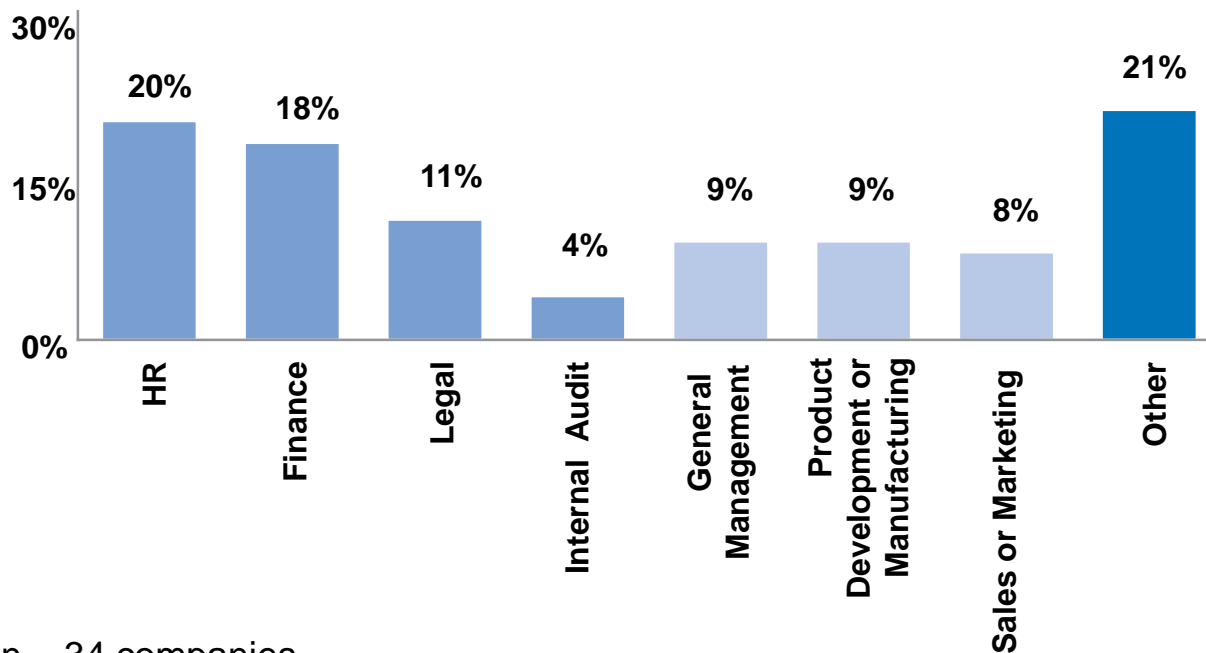
- Original driver was U.K. Bribery Act, with creation of a network of Anti-Bribery & Corruption (ABC) liaisons (2011)
- Various considerations for selecting local compliance liaisons:
 - ‘Ready, Willing and Able?’***
- Now transitioning from finance to legal as the default contact (local compliance officer)
- *Question:* Whether or not to combine all local ‘compliance’ activities into a single role? Depends on maturity of compliance programme(s)
- Central support, training and recognition are key and a worthwhile investment; and an engaging [Code of Conduct](#)
- Some healthy competition is a good incentive, e.g. completion rates on code of conduct certification
- Partnering with legal, finance, communications, IT, HR, and learning

PORTRAIT OF ETHICS AND COMPLIANCE LIAISONS

More than 50% of liaisons have 'corporate assurance' background

Professional Background

Full-Time Job Responsibility of Liaisons, 2014



■ Corporate Assurance Background (54%)

■ Operations or Management Background (26%)

■ Other¹ (21%)

n = 34 companies

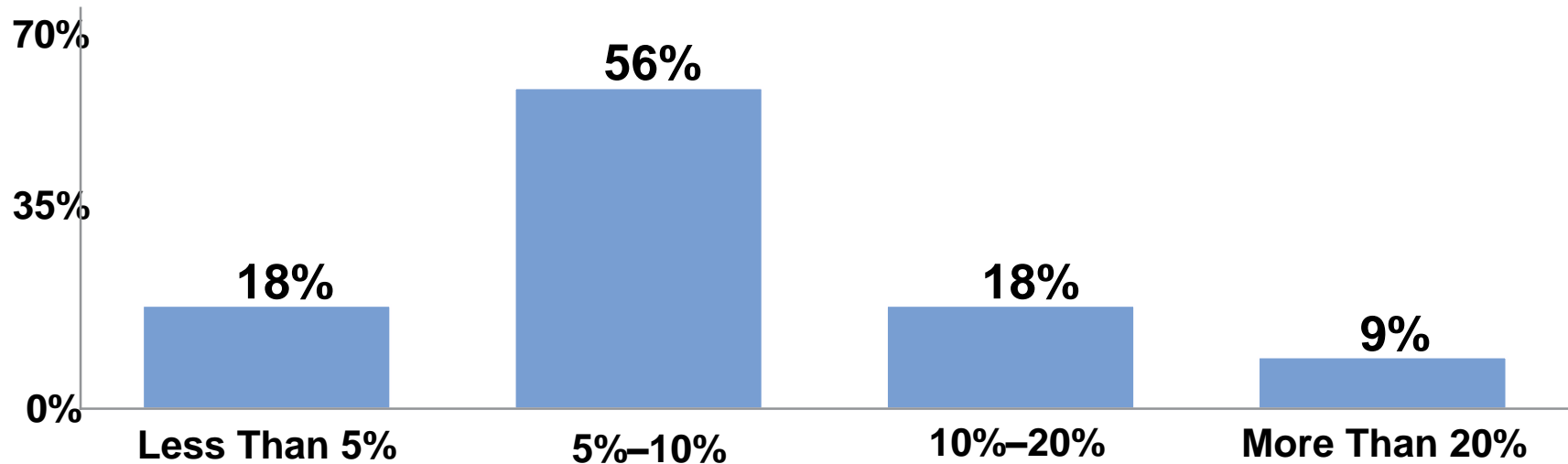
1- Other responses include Procurement, Operations, Quality, Facilities, Security, Public Affairs, Corporate Social Responsibility, ERM, IT, and Supply Chain.

Source: CEB 2014 Compliance and Ethics Liaison Survey

PORTRAIT OF ETHICS AND COMPLIANCE LIAISONS

Most liaisons dedicate approximately 5%–10% of their time to compliance and ethics activities

Percentage of Liaisons' Time Dedicated to Compliance and Ethics, 2014



n = 34 companies

Source: CEB 2014 Compliance and Ethics Liaison Survey

COMPLIANCE AND THE BUSINESS – A SYMBIOTIC RELATIONSHIP?



Clearly define expectations, roles and responsibilities



Strong Compliance in Decentralised Businesses

The challenge & opportunity of decentralised *integrated* compliance

Keith Read

Compliance Week Europe - Brussels

The Usual Suspects

- Many types of decentralisation, but a broadly common approach to compliance ...
- ... compliance ambassadors/champions/co-ordinators *et al*
- Voluntary, partial role, a ‘just’ job: *“just sort out our compliance”*
- Worst case, we have *remote individuals only loosely connected to the central compliance team dealing with the usual compliance challenges - undertaking a role that competes with their day job, for which they receive little recognition, and often, hostility*

Improving the role of champions

- Effective job descriptions; central & local role linkages
- Fewer numbers = *greater commitment*
- Invest in selecting, preparing, training, motivating, networking, maintaining
- Selection qualities:
 - Respected, credible
 - Knowledgeable
 - Tactful, culturally aware
 - Motivated, determined, robust
 - Available, or volunteered?

But ... will this *really* deliver strong compliance?

- The U.S. Sentencing Guidelines probably don't cut much ice in Bucharest or Bangalore
- Compliance perceptions: *the business prevention department?*
- Compliance **push** leads to compliance fatigue – and to employee **push back**
- Compliance may not be *genuinely* locally owned & integrated
- Company culture may not drive the right behaviours

Decentralised compliance - some key challenges

- Compliance commitment: regional, local & functional leadership
- Accountability, diligence, and metrics
- Effective, integrated local compliance risk assessment
- Ongoing information sharing - *not just a quarterly compliance & ethics committee*
- The 'nothing to do with us; it won't happen here' syndrome
- Perverse incentives

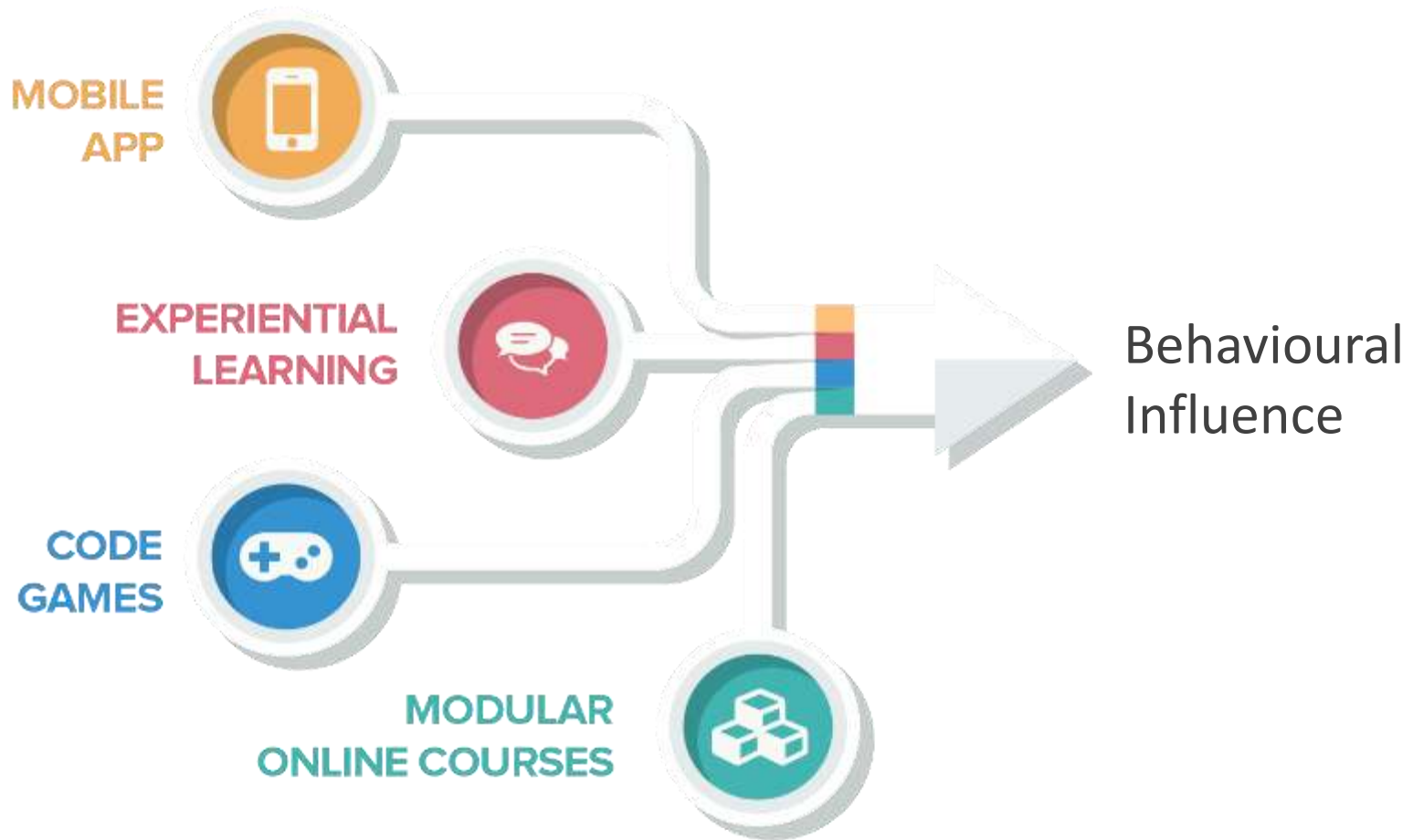
Determined & *demonstrable* decentralised compliance

- Structure programme to promote local ownership and *genuine* business integration
- Drive & embed culture as a strategy: organisational values drive behaviours, which drive outcomes
- Destroy compliance *myths*
- Build the infrastructure: Compliance Covenant
- Cultivate local ‘believers’ – not ‘obeyers’ and ‘box tickers’
- Reaching the wider workforce – Practicalities

The LRN Approach

- Assessment, analytics & data-driven insights – compliance & culture
- CEPIA: LRN's Compliance & Ethics Programme Impact Assessment
- Metrics that matter – Locally
- Code of Conduct that reflects diversity – in all facets
- Catalysing Conversations Toolkits for compliance ambassadors
- Engage, educate, enable

Meeting learners where they are



What else? Other tools & techniques

- Never lose sight of '*What's in it for me?*'
- Leverage communications: direct, indirect, subliminal
- If you care enough to ask, employees will – generally – care enough to answer
- Audit – 'through the windscreen'
- Mystery shopping
- Strong decentralised compliance can critically depend on turning ***compliance push*** into ***employee pull***

Thank you!

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THANK YOU

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