How to Score your Compliance Program using Key Performance Indicators (KPIs), metrics, maturity ratings and other approaches

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CREATe Compliance works with enterprises to better manage internal and third party global risk for key issues.

CREATe Compliance's services – *CREATe Leading Practices* – provide a practical and scalable way to measure, improve, benchmark and monitor compliance and risk programs:

- **CREATe Leading Practices for Cybersecurity** – *Aligned to the NIST Cybersecurity Framework*
- **CREATe Leading Practices for Anti-Corruption** – *Aligned to leading international guidance and the ISO 37001 Anti-Bribery Management Systems Standard*
- **CREATe Leading Practices for Intellectual Property Protection**
- **CREATe Leading Practices for Trade Secret Protection**

Today we will discuss:

- KPIs vs Metrics
- Developing Useful KPIs
- How KPIs Evolve with Program Maturity
- Avoiding Unintended Consequences

KPIs vs Metrics

Key Performance Indicators (KPIs) and Compliance

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What Are KPIs?

- A measure of business performance against quantifiable goals

Traditional Use of KPIs

- Financial and sales

Use of KPIs in Compliance

-Measure effectiveness of programs

-As a monitoring tool

-Evidence of efforts being more than a paper program

KPIs vs Metrics

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KPIs – Strategic Value Drivers

Evaluates whether an organization is meeting important business objectives

KPIs are derived from four elements:

- A defined program element
- Its goal or objective
- Components to reach the goal
- Defining success

Metrics - Yardsticks

Objective, quantifiable measures that are used to track the status of specific business processes

Developing Useful KPIs

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What Makes a Useful KPI?

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KPIs Must be
Relevant and Actionable → Based upon
Program Maturity

New Program
Basics are in place
(e.g., policies,
procedures controls)

Sophisticated Program
Implementation and
effective performance

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Developing Useful KPIs

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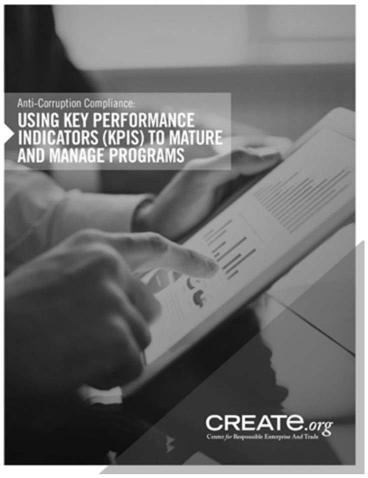

Sharon J. Zealey, founding member of NextGen Compliance LLC and former Global Chief Ethics & Compliance Officer of The Coca-Cola Company….recommends breaking down metrics into a few different categories:

- ***Quantitative*** *– numerical data such as training statistics*
- ***Qualitative*** *– measures of effectiveness*
- ***Process*** *– efficiency or productivity*
- ***Practical*** *– interface with existing company processes or functions*
- ***Directional*** *–whether the organization is getting better at a process, activity or task*
- ***Input*** *– resources necessary to reach the goal*

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How KPIs Evolve with Program Maturity

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Program Maturity

1	2	3	4	5
Little or no repeatable processes, limited awareness of risks, reactive	Limited systems with inconsistent implementation, primarily reactive	Systems approach adopted, but development and implementation and improvement efforts are inconsistent	Systems well-developed and consistently implemented and improved	Mature system implemented internally and continually improved through a regular management process

Putting KPIs into Action

GRUPO BIMBO

- World’s largest baking company
- 32 countries
- 22 subsidiaries

Year 1 - KPIs
- Within four months, train more than 83,000 of the 113,000 associates
- Within a year – train 100% of associates

Putting KPIs into Action – Policies and Procedures

KPI:
- Relevant policies and procedures exist to detect and prevent bribery

Potential Metrics:
- Anti-corruption policies meet relevant requirements and the company's risk profile;
- Procedures outline how policies should be followed;
- Policies and procedures have been translated into local languages and are accessible to employees and business associates

Putting KPIs into Action – Risk Assessment

KPI:
- The company has assessed its corruption risk and aligned its program with those risks

Potential Metrics:
- The company performs and documents an annual anti-corruption risk assessment that includes the elements identified in the FCPA Resource Guide
- The company has executed a plan for testing its policies, procedures and controls based on the assessment findings
- All findings that pose more than a low risk are addressed within six months

Putting KPIs into Action – Training and Capacity Building

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KPI:
- The company training program includes training tailored to business function or risk

Potential Metrics:
- 100% of employees responsible for managing vendor relationships have received specialized training
- All employees engaged in a high-risk activity (sales, finance, government contracting) have received specialized training and passed a post-training test with a score of 90 %

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Putting KPIs into Action – Corrective Actions

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KPI:
- The % of corrective actions required by senior management are achieved in a defined timeframe

Potential Metrics:
- Corrective actions are completed by business units in 60 days or less, 60-90 days, 90-120 days, over 120 days
- Identified corrective actions are assessed by formal audit within six months

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Avoiding Unintended Consequences

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Avoid Incentivizing Unwanted Behavior

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Examples:

Excessive pressure on teams to sell products

- *Case in point:* Wells Fargo employees signing up fake accounts

Unrealistic sales targets

- *Case in point:* Toshiba senior teams inflating profits

Steps to Mitigate Risks

- **Embed compliance within organizations**
- **Show leadership commitment**
- **Analyze targets in light of risks and operations**

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Thank You

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