

The Economy, Compliance, and Ethics

*A survey by the Society of Corporate Compliance and Ethics
and the Health Care Compliance Association*

February 2012



Health Care Compliance Association
Society of Corporate Compliance and Ethics
6500 Barrie Road, Suite 250, Minneapolis, MN 55435
888 580 8373 (HCCA) • 888 277 4977 or +1 952 933 4977 (SCCE)
hcca-info.org • corporatecompliance.org

Introduction

Beginning in 2009, shortly after the market meltdown, the Society of Corporate Compliance and Ethics (SCCE) and the Health Care Compliance Association (HCCA) have annually surveyed the compliance community.

The goal of this research has been to determine what has happened to compliance programs and staffing, as well as where budgets and staffing are likely to go in the coming year. The survey has also examined the job security of compliance professionals, as well as the related measure of management attitudes towards compliance and ethics programs.

At the end of 2011, tentative signs of economic recovery in the U.S. appeared to be sprouting up. The unemployment rate has declined to 8.5% and the economy has added jobs every month since September 2010.

But what is the state of the compliance economy?

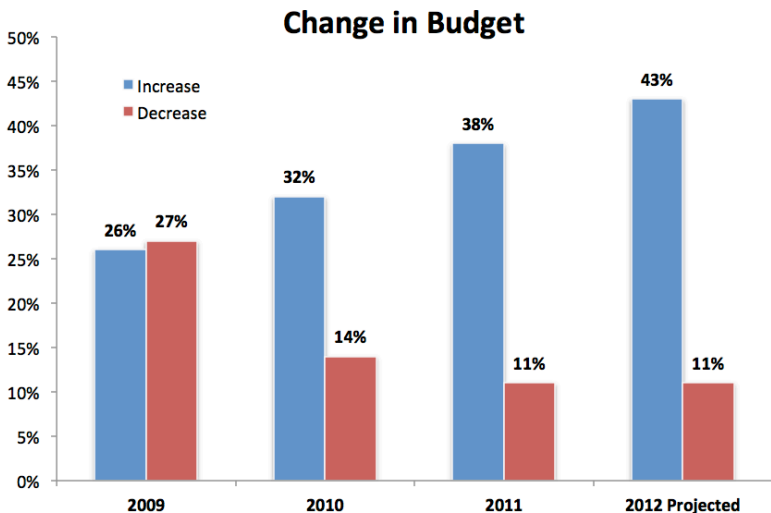
Executive summary

Overall, the picture for compliance is a bright one. A growing number of respondents reported increases in their compliance budgets. Staffing also appears to be trending at least slightly upward, although not at the same rate as budgets. In addition, less than a quarter of respondents fear that their job is more at risk than the positions of their peers, and only 4% are very concerned about losing their job.

At the same time, there remain some causes for concern. Almost one in five (17%) report that their management perceives compliance as a hindrance to their business, and 88% continue to believe that the economy increases the risks of compliance failures.

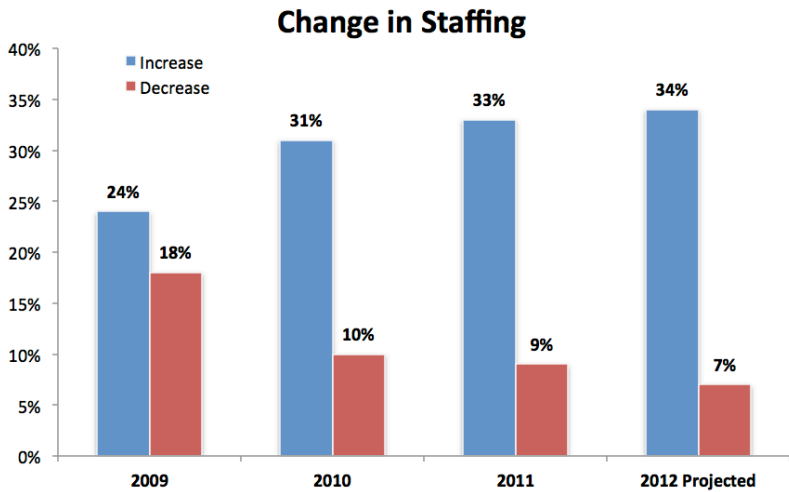
Key findings

- **The percentage of compliance programs with increasing budgets is on the rise.** Thirty-eight percent of respondents reported that their budgets had increased in 2011. This is an increase from 32% in 2010 and just 26% the year prior. This indicates that the financial commitment to compliance is clearly on the rise. And it should be noted that an even higher percentage expect 2012 spending to increase.
- **Still, it should be noted that the budgets are not necessarily leapfrogging forward.** Of the 38% reporting an increase, roughly two-thirds saw budgets increase “somewhat” with just one-third seeing budgets increase greatly. Respondents from publicly traded companies were more likely than any other group to report their budgets had increased greatly.



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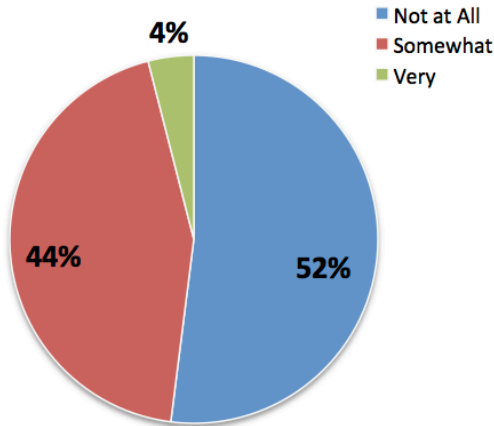
- o **Staffing levels appear to be creeping higher, albeit slowly.** The year-to-year increase in respondents who reported a rise in staffing was a small one, but it, too, appears to reflect a trend. Here again, publicly traded companies led the rest of industry with 45% reporting an increase in staffing. And looking to 2012, respondents expected that trend to continue.



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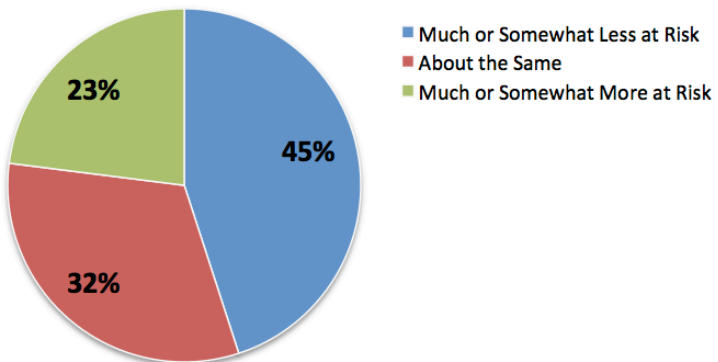
- o **A recent survey of compliance professionals revealed significant levels of on-the-job stress, but fear of losing one's job does not seem to be a driver of that stress.** Overall, just 4% of respondents reported that they were very concerned about losing their jobs, and 52% were not at all concerned, virtually unchanged from a year earlier. When measuring their risk versus others where they work, 77% felt that their jobs were about the same or less at risk than those of others within their organizations.

Concerned About Losing Your Job?



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Relative Risk of Losing Their Job Vs. Others



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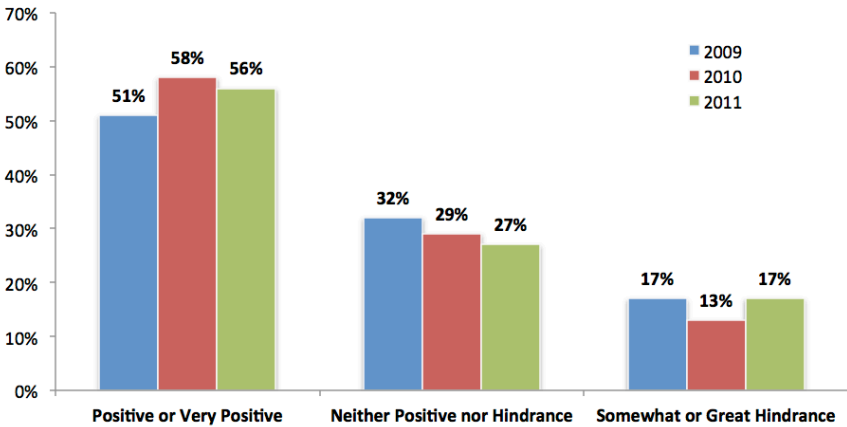
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- o **Management perceptions of compliance are generally seen as positive.** More than half (56%) of respondents reported that their management sees compliance as a somewhat positive or very positive asset in helping the organization through the current economic conditions. By contrast, just 17% report that their management sees compliance as somewhat or a great hindrance. Interestingly, these numbers have remained largely unchanged over the past few years, despite the increasing numbers of corporate scandals.

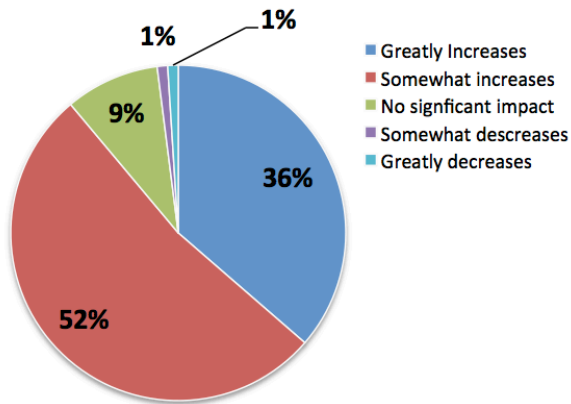
Management Perception of Compliance



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- o **Despite the slightly brightening economic picture, anxieties surrounding compliance risk are unchanged.** More than a third (36%) of respondents believe that the current economy greatly increases the risk of compliance failures, and another 52% believe that it “somewhat” increases the risk. These numbers are remarkably similar to the previous year’s findings (37% and 53% respectively).

Impact of Economy on Risk of Compliance Failure



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Conclusions and implications

- **The worst of the recession may be over, at least for compliance budgets.** More compliance professionals are seeing their budgets rise, and they anticipate that this trend will likely continue next year.
- **It's troubling, though, that the rise in spending is not being accompanied by an increase in staffing.** With growing demands upon compliance programs, both from increased regulation and enforcement, the demands on existing staff are increasing. Recent research has indicated that the compliance community is already feeling great stress. The data indicates that a brightening economic picture is not translating into more people to do the work, and to relieve the stress of those already working in compliance. On the positive side, though, it should be noted that fears of losing a job are not very high.
- **Management support of compliance programs seems to be stable, but likely not as high as it should be.** To be fair, it's encouraging to see that the majority report that their management sees compliance as an asset. However, the persistence of a significant portion of managers who see compliance as a detriment could portend future compliance failures.

Methodology

The survey was conducted during December 2011 and January 2012. Responses were solicited from contacts in the database of HCCA and SCCE. Data was collected using Zoomerang, a third-party web-based solution.