

5 QUESTIONS

TO ASK WHEN BUILDING YOUR COMPLIANCE BUDGET

Creating a compliance budget should take into consideration both internal and external impacts - including the organization's goals, market forces, relationships between teams, regulatory requirements and cultural expectations.

Start asking the right questions and building a budget that prioritizes the resources you need to be successful.

Budgeting In An Uncertain World

The future is hard to predict, and many professionals worry budget forecasting puts them on-the-record for certain goals.(1) In this budgeting cycle in particular, business leaders have an unusually large amount of uncertainty to address, from a sluggish economy to a pandemic to a presidential election, all of which can have an impact on corporate goals, decision making and budget numbers.

For compliance professionals, the challenges being faced include burdensome steps added to day-to-day processes, long-distance communication to handle projects and additional audit requirements to gather information from team members spread out and working remotely.

In order to prepare for the budget season and in order to make correct, responsible requests, compliance professionals need to have a clear understanding of their role, organizational goals and corporate priorities.

How Has Business Changed?

Few companies or industries have remained unscathed by the financial disruptions that have occurred throughout 2020. In order to prepare an accurate budget, and one that's likely to be approved, compliance leaders must show their understanding of the business's overall financial standing, prospects and goals.

In times of economic uncertainty, ask questions of others to begin the budgeting process. What are the company's goals? Which lines of business are going to be relied upon most heavily for revenue generation?

As you prepare your departmental budget, consider which line items can most help you support those specific areas of focus. As an example, many companies heavily scrutinize purchases of new technology because of the costs (both monetary and time commitments) to get them implemented and because they may appear to be used in a bubble instead of making a visible contribution to the organization.

If you're seeking approval for technology resources, highlight the features that get them up and running quickly, and focus on the ways their addition will support specific corporate goals, as well as bring benefits to your own department.

How Can I Leverage Technology?

If your organization is growing or scaling, technology will be a necessary investment for your organization. It's important to evaluate offerings not only on the basis of initial cost but also in light of the benefits they bring your organization, like a reduction of staff hours needed to complete processes, an increase in go-to-market speed, or a decrease in time spent managing paper trails and audits.

Technology projects and expenses aren't necessarily under the purview of the IT team alone. With the interconnectedness of business functions, departments across your organization may have tech and business needs to be addressed, and some of those processes may require input and investment from cross-functional teams.

For example, marketing and compliance teams are both typically tasked with managing unwieldy paper-and spreadsheet-driven processes to ensure they're completing advertising reviews in a timely manner. While software to support these needs might not be at the forefront of an IT professional's mind, the marketing and compliance people completing the processes would likely be interested and invested in a tech-based solution that streamlined their workloads, timelines and accuracy.



Staying in compliance can be a moving target, as regulatory guidelines change. Compliance professionals need to spend a greater proportion of their time on analysis and less on repetitive tasks.



Smaller companies typically spend a larger percentage of revenue (about 7% is average) on tech purchases, because bigger organizations benefit from enterprise solutions and economies of scale.(2)



40 percent of American companies increased technology spend during 2020 because of the pandemic/work from home.(3) Technology improves communication between teams, reduces friction and speeds processes.

How Can I Give My Company A Competitive Advantage?

Businesses are ever-focused on the bottom line, on figuring out how to do more with less. In organizations with a cost-cutting focus, compliance can be treated as a cost center, rather than as a valuable strategic partner.

However, when compliance professionals are included in high-level strategic discussions, they can add valuable dimension to the conversation and ensure the organization is properly positioned. Ask these questions as you seek to support your firm:



Compliance demands and regulatory requirements increase daily, leading to risk fatigue from compliance team members and their business unit counterparts. Can you make changes to processes that will improve efficiency, build better relationships or create a stronger culture of compliance?



Other departments, often unjustly, consider compliance a bottleneck that prevents them from meeting their goals. Is there a resource or technology tool that could help you get your information to market faster, so you can edge out your competitors?



Are there areas where you could outsource a project and improve your overall efficiency? Examples might include outsourcing some training-heavy roles, where team members need to read and study diligently in order to maintain a high level of accuracy, and where fines for incorrect information can be intense.

Smart, focused compliance officers provide a competitive advantage that may often go unseen - keeping their firms from being ordered to pay high fines based on inappropriate, non-compliant business choices. Last year alone, the SEC ordered companies to pay \$4.3 billion in fines and disgorgements for actions that perpetrated harm on investors and markets(4).

Keeping that in mind, focus on advocating for your budget requests in ways that both highlight your department's past commitment to a culture of compliant business, as well as looking for ways to increase efficiency and effectiveness in the future.

How Can Budget Investments Make Compliance More Efficient?

During recent budgeting cycles, institutions have begun to reduce compliance staff for the first time since the 2008 financial crisis (5). The reduction in staff may make some compliance professionals fearful about job security and concerned that additional investments in compliance support, including technology products, may decrease their value to their organizations.

The truth is, technology in compliance has the power to both reduce the workload of compliance professionals and to open them up to a new level of responsibility and strategic involvement within their organizations. For compliance professionals to actively serve and protect their organizations, they need to be fully involved and invested in projects, giving feedback and spotting issues as they arise, rather than cleaning up messes after they occur. This line of thinking makes sense both for compliance professionals and for the business, as the aftereffects of non-compliance are significantly more costly than managing the process appropriately from the beginning (2.65 times more expensive on average). (6)



"It is time for the compliance function to change its focus from hindsight to foresight and driving insight, teaming with the business to enable growth while at the same time mitigating risks. This will require investment in technology, adoption of improved processes, and deliberate focus on what data the business, risk, and operations can contribute to developing more predictive insights." (7)

Compliance professionals can, and must, win their seat at the strategic table by positioning their work as more than just a "cost of doing business." Instead of doing things the way they've always been done, compliance professionals should highlight the increasing complexity of business processes and the added value compliance brings when they're invested in projects, planning and strategic discussions from the beginning.

Compliance teams need to bring thoughtful and strategic budget proposals to the table. In these discussions, compliance leaders can advocate for technology, not as a replacement for experienced team members, but as a means of automating and increasing efficiency in some labor-intensive processes. Then, the bandwidth freed up through these enhancements can be made available for deeper, more strategic analysis and involvement.

Where Is Our Organization Headed?

You can't build a budget that makes sense if you don't have a roadmap for the future. When you're looking ahead and planning for budget items, the following areas might be worth considering for an allocation:

- Are you expanding to new markets or will your organization launch new products? Will your department have expenses associated with supporting product development and launch, or will there be an increased compliance workload as sales/marketing promote your new areas/offerings?
- Has new regulation been introduced that will impact the way you do business? If so, where might you need to adjust, whether making up budget shortfalls, pivoting to another product or service, or investing more money in compliance training and management?
- Will your company raise costs for customers, or are your suppliers likely to raise costs for you? Either increase will have an impact on the way your company does business and compliance may be expected to participate in discussions or to ensure guidelines are followed and appropriate messaging is relayed to consumers.
- Will your team members require additional training to be able to do their jobs? Will you need to allocate more time, training courses or other resources to make sure you're giving them the training materials needed to do their jobs properly? And, will you be responsible for training your organization's other members, in order to make sure they're conducting business appropriately?



The biggest question you need to ask yourself when planning for the budget season is this – how will the expenses I'm planning contribute to the company's overall success? You need to tie your budgeted expenses back to measurable success metrics, like revenue production or time/expenses. And, compliance leaders need to advocate for a more visible and vocal role in the organization's strategic processes, something that can only take place if you've allocated resources responsibly to create day-to-day efficiencies.

About Red Oak Compliance

Red Oak Compliance Solutions is the global advertising review software of choice in the financial services industry, serving clients with more than \$19 trillion in assets under management. Red Oak's advertising compliance review software offers quick implementation timelines, as well as agile technology that responds to client needs and is 100% Books and Records compliant. Our clients report 35% faster approvals and 70% fewer touches, with many experiencing even better results. Are you ready to minimize risk, reduce costs, and improve efficiency? Contact the Red Oak team to learn how.

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SOURCES:

- (1) Budget Forecasting in the COVID-19 Era, In The Black Magazine.
- (2) CIO Insider Business Insights, Technology Investments, Deloitte
- (3) Technology and the Evolving World of Work report, Lenovo, 2020
- (4) Technology to elevate—not replace—compliance professionals, Bloomberg
- (5) Enterprise compliance for retail companies: Changing requirements, Deloitte
- (6) (7) Compliance modernization is no longer optional, Deloitte
- (8) 2019 Training Industry Report, Training Magazine