



# The Business Case for Compliance

Business Ethics Leadership Alliance  
Membership Resource – For Trial Members

Please note this is a sampling of 8 data slides from the full 37 page presentation reserved exclusively for BELA members.



Dear BELA Community Member,

This presentation was developed to arm you in your conversations with internal and external stakeholders about the importance of embracing compliance as a competitive business advantage. BELA members report using this Business Case deck in a myriad of ways, including:

- Briefing regional compliance liaisons on the economic, geopolitical and social conditions that impact today's ethical leaders
- Illustrating to business unit leaders of the costs and consequences arising out of compliance failures
- Motivating middle management by giving the business case of why integrity and compliance are so important
- Convincing executive leadership through data-driven evidence of ways to further build your program and engage stakeholders

Whether using it off the shelf, customizing the slides with your own branding, or embedding relevant content into your existing leadership or Board presentations, we welcome you to use these slides as you see fit.

Your continued involvement within the BELA community allows us to continue to develop these types of resources and actionable research to empower you in your efforts. We invite you to share your thoughts about what to include in future revisions of this presentation with us.

Best wishes,

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# The Current Ethics & Compliance Landscape

## Business Case Section 1: Context

**Section 1: Context.** The Current Ethics & Compliance Landscape

*Slides you can use to explore the economic, geopolitical and social conditions that impact today's ethical leaders.*

**Section 2: Inform.** Case Studies of Regulatory and Reputational Missteps

*Slides you can use to show examples of the costs and consequences from compliance failures.*

**Section 3: Inspire.** The Advantages of Doing Business with Integrity

*Slides you can use to set the stage and explore why integrity and compliance are so important.*

**Section 4: Engage.** Practices and Programs of Leading Companies

*Slides you can use to provide data-driven evidence of ways to further build your program and engage stakeholders.*





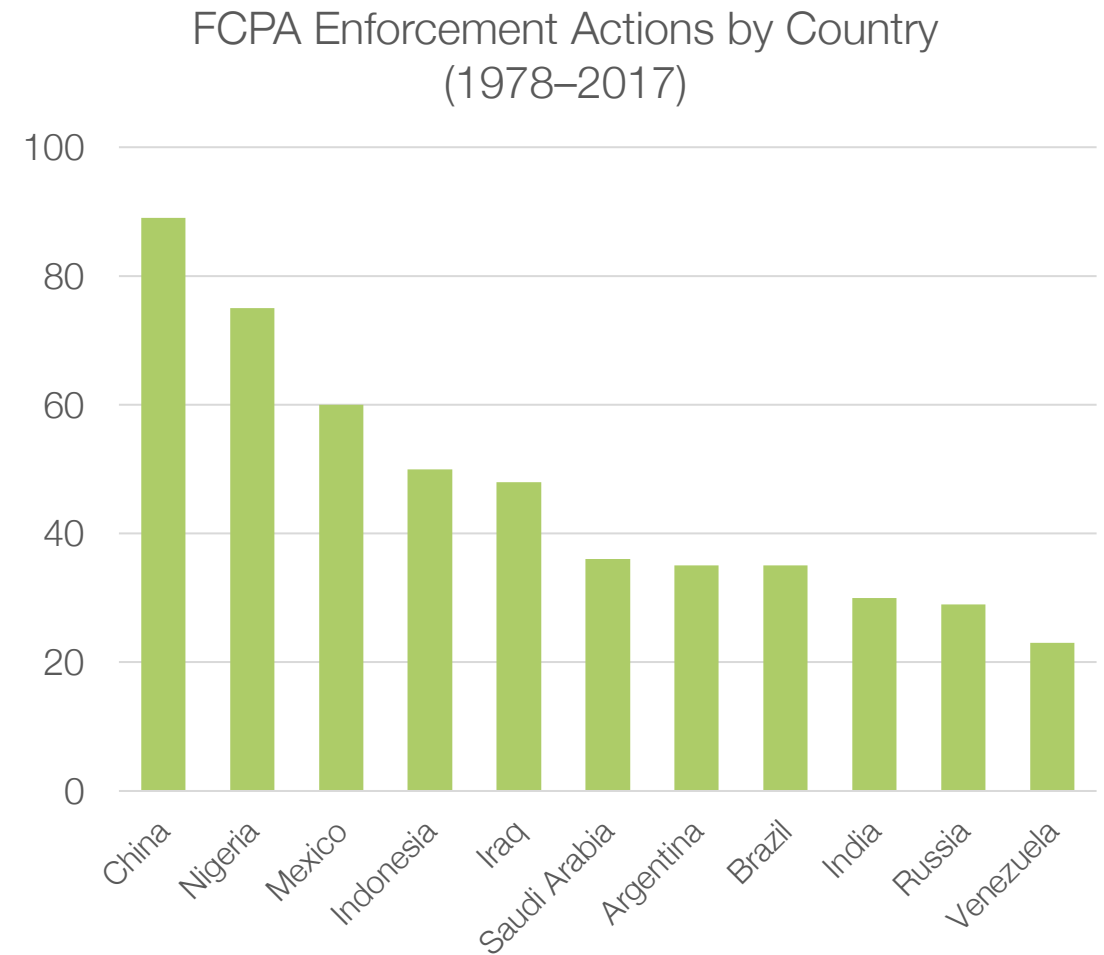
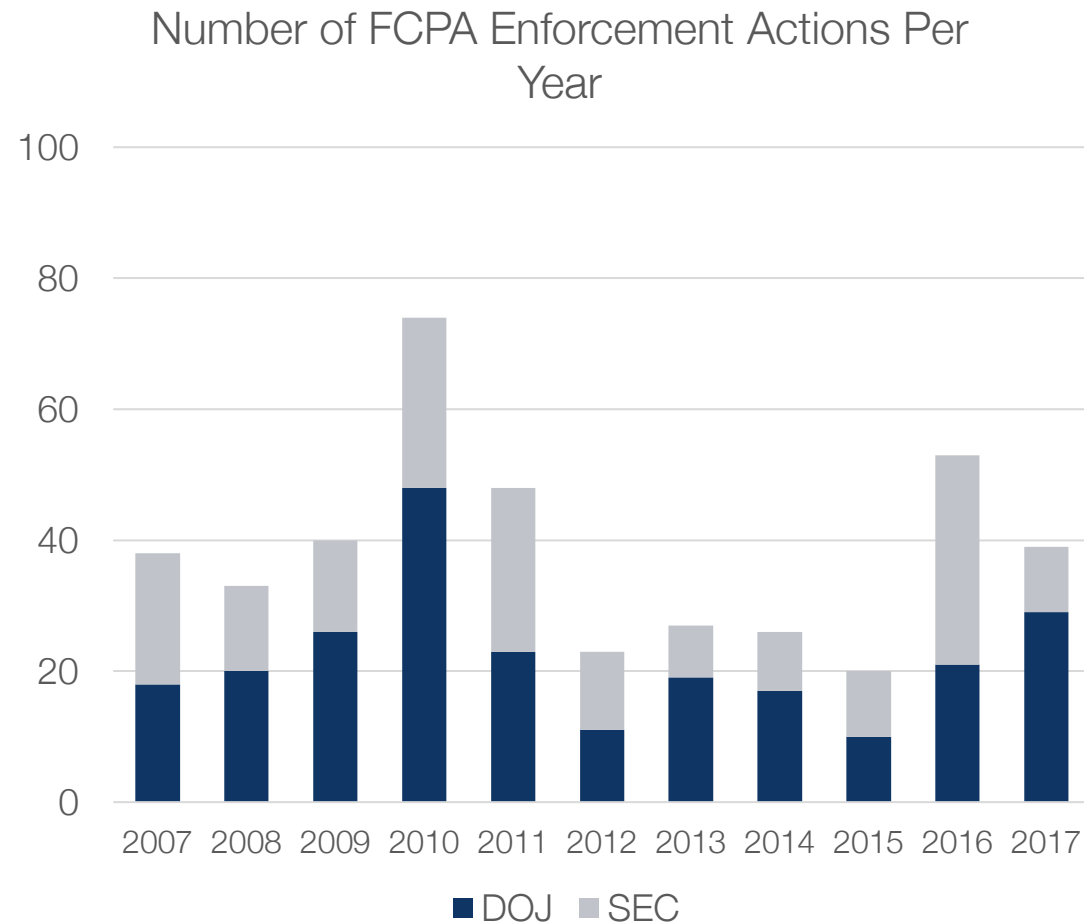
# THE LANDSCAPE – TRUST, TRANSPARENCY, TECHNOLOGY, AND CHANGE

We are in the midst of a profound re-ordering of relationships in the global commercial sphere that is leaving no industry and no business untouched.

Like all business transformations, this one is being fueled by **rapid technological change** and **generational attitudes and behaviors.**



# We Find Ourselves in a Challenging Regulatory, Economic, and Cultural Environment



Source: "2017 FCPA Year End Update," Gibson Dunn

# Case Studies of Regulatory and Reputational Missteps

## Business Case Section 2: Inform

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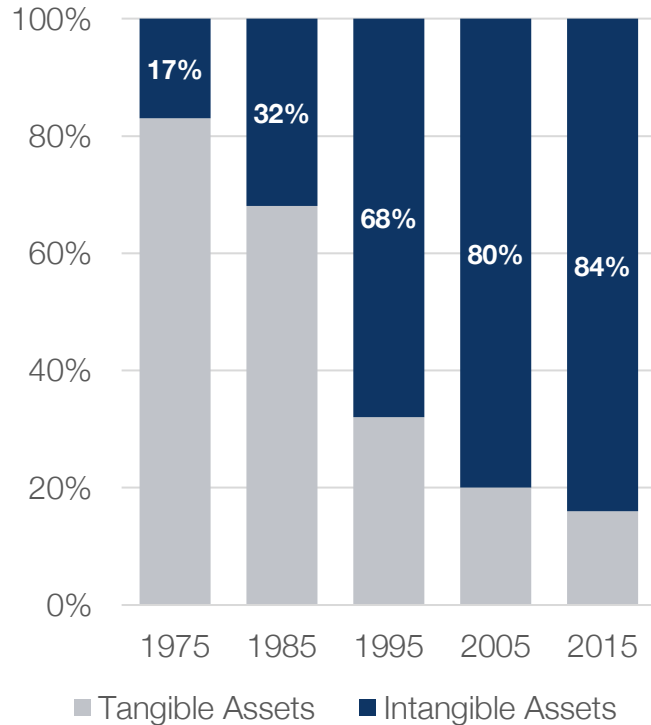
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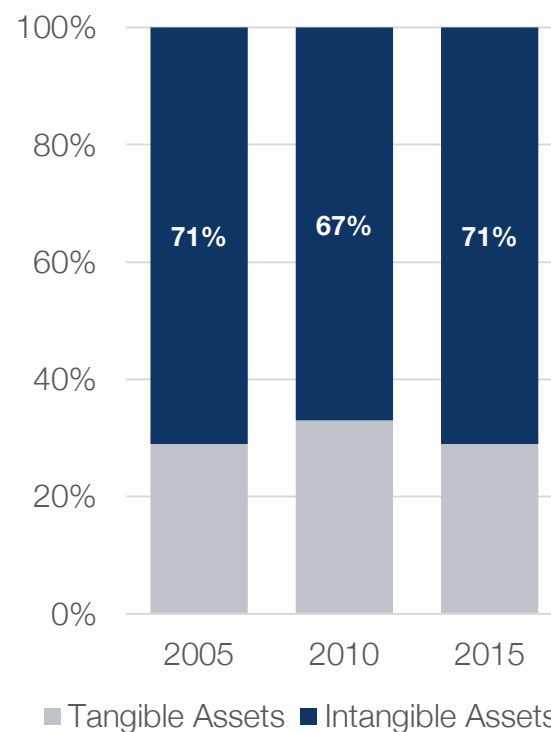
# Intangibles Have Become Important Factor in Valuations

Brand Value May Represent One-Fourth or More of Intangible Asset Market Value on Average

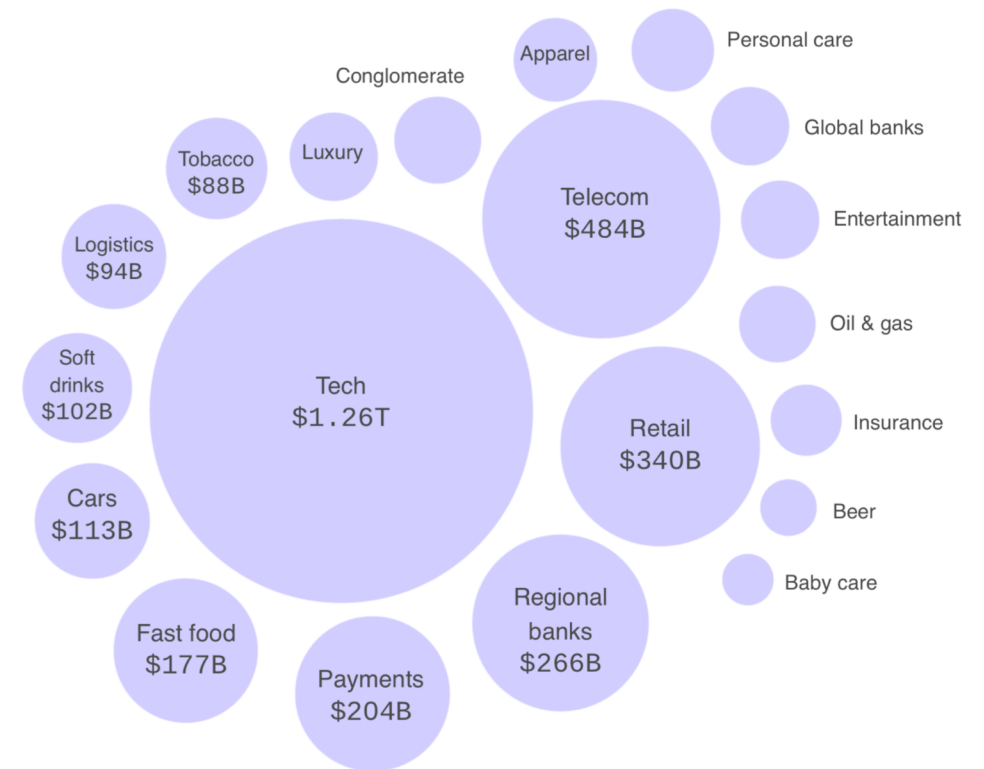
*Components of S&P 500  
Market Value*



*Components of S&P Europe  
350 Market Value*



Industries with combined highest brand value, 2017



# Breakdowns in Ethical Culture

Culture Trumps Policy; Go Beyond a Paper Program



MARKETS

## How Wells Fargo's High-Pressure Sales Culture Spiraled Out of Control

Hourly targets, fear of being fired and bonuses kept employees selling even when the bank began cracking down on abuses; 'not a team player'



A Wells Fargo branch in Washington, D.C. Selling more products to customers has been a driving force at the bank for more than 15 years. PHOTO: GARY CAMERON/REUTERS



# The Advantages of Doing Business with Integrity

## Business Case Section 3: Inspire

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A close-up photograph of Howard Schultz, Chairman of Starbucks, smiling and speaking. He is wearing a dark suit, white shirt, and dark tie. The background is a blue wall with a faint Starbucks Siren logo.

“

**Starbucks is not profit driven.  
Starbucks is values-driven, and  
as a result of those values, we  
have become very profitable. Not  
every business decision should  
be an economic one.**

”

– Howard Schultz, Chairman of Starbucks



# Why Diversity Matters

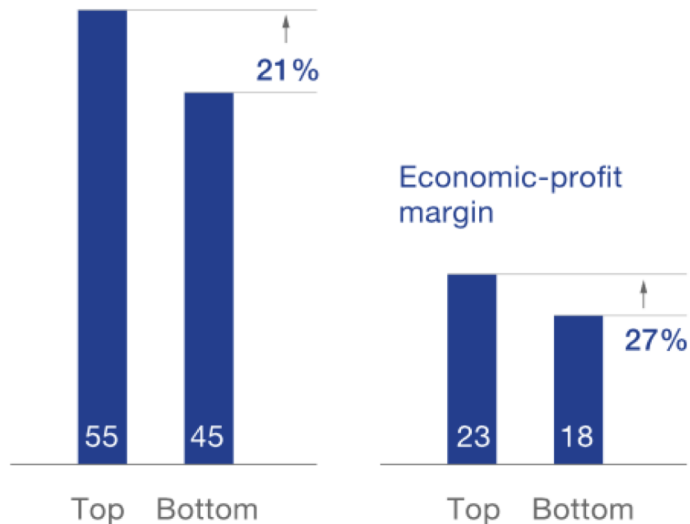
## Leaders Recognize the Relationship Between Diversity and Business Performance

*Gender diversity on executive teams is strongly correlated with profitability and value creation*

Likelihood of financial performance above national industry median, %

Gender diversity of executive team by quartile<sup>1</sup>

EBIT margin<sup>2</sup>



<sup>1</sup>Results are statistically significant at p-value <0.05.

<sup>2</sup>Average earnings-before-interest-and-taxes (EBIT) margin.

Source: Delivering through Diversity, McKinsey & Company, January 2018.

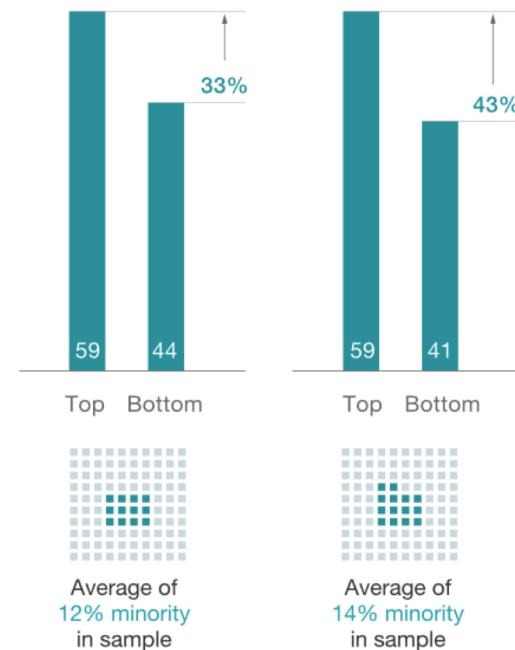
*Ethnic diversity in the executive team and board correlates with stronger profitability*

Likelihood of financial performance above national industry median, %

Ethnic minority diversity by quartile<sup>1</sup>

Executive team

Board of directors



<sup>1</sup>Average earnings-before-interest-and-taxes (EBIT) margin 2011–15. Results are statistically significant at p-value <0.05.

# Programs and Practices of Leading Companies

## Business Case Section 4: Engage

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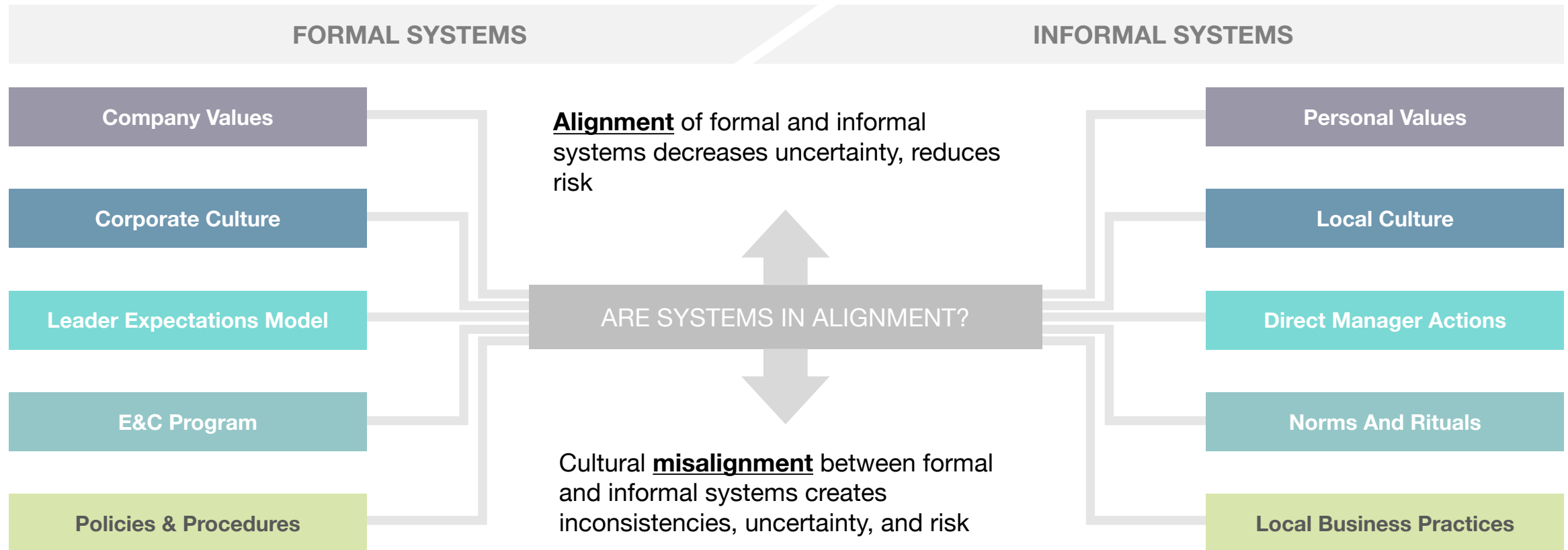
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# Beware Misalignment of Formal and Informal Systems

Develop Your Formal Programs and Systems with Informal Cultural Mores in Mind to Create Consistency and Reduce Risk





# Boards Becoming Increasingly Engaged with Compliance

Increased Board Engagement Reflects Heightened Interest and Importance of Compliance Efforts at Leading Companies

*What information do you report to your Board?*

	2014 WME Honorees	2018 WME Honorees	Change
Hotline and misconduct reporting statistics	77%	100%	+23%
Significant regulatory and legal updates	80%	98%	+18%
Misconduct investigations and resolutions	80%	97%	+17%
C&E trends and best practices updates	78%	94%	+16%
C&E risk assessment findings	83%	98%	+15%
Program assessment and benchmarking findings	83%	97%	+14%
Overall C&E program performance	85%	99%	+14%
C&E training initiatives and results	84%	98%	+14%
Overview of key initiatives	85%	99%	+14%
C&E communication initiatives	84%	96%	+12%

Source: Unverified responses from 2014 and 2018 World's Most Ethical Companies application data, Ethisphere