

MITRATECH

Ethics Rising: Automating Compliance for Financial Services

How process automation can help build a culture of compliance within your organization and drive proactive risk mitigation.



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Introduction: A Culture of Compliance as a Competitive Advantage

More and more, consumers are choosing the institutions they do business with based on a perceived set of shared values. When those values are breached, the court of public opinion is often more costly than any fine they would ever pay a regulator.

According to the 2020 Edelman Trust survey, [only 56%](#) of consumers find financial services trustworthy. And while trust in financial institutions has increased from 56% from 44% over the past eight years, 52% of consumers still believe financial institutions would take advantage of them if they could.¹

This owes, in no small part, to the financial scandals and crises that keep hitting the industry. But the best way to earn an employee or consumer's trust is straightforward and predictable: be trustworthy.



We face a moment where ethical decision making and ethical strategies no longer just sound good. They are necessary to create strong compliance teams and more profitable organizations that can adapt quickly to change. What we have always hoped seems to have been proven true: there is a relationship between what is ethical and what is most expedient.

In this document, we'll explore the connection between an ethics-based culture of organizational compliance and the opportunities for success it presents as well as the technologies that can enable it to become a reality.

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01 Enacting Change from the Inside Out

Ethics and compliance professionals have the unique position of enacting change from the inside out, with the authority and urgency granted to them through their expertise with changing regulations and their directive to keep their organization in the clear.

But an ethical company is not simply formed out of strong policies and airtight rules, but instead requires an ethical company culture that starts at the top. In almost every financial scandal, the issue did not stem from a lack of good policy but from policies not being enacted.

A [report by advisory firm LRN](#) maintains that it is the company culture that creates an ethical company, not policy alone: “An organization’s ethical culture determines whether its rules and procedures will be followed, ignored, or circumvented, no matter how thick the rule book may be.”



Because of this, ethics and compliance are becoming more intertwined. Compliance is no longer just checking a checkbox to satisfy a regulator. To truly mitigate risk from noncompliance? Doing the right thing, the ethical thing, needs to become an ingrained part of company culture.

Ethics and compliance as a competitive advantage

Based on the LRN report, when leaders balance compliance risks that arise in pursuit of new business:

- Employees are **4.3x more likely** to question decisions when they conflict with organizational values.
- Employees are **3.8x more likely** to do the right thing, even if it's not in their personal best interest.
- Employees are **3.2x more likely** to speak up or speak out, even in front of managers.

Because ethical culture, and only ethical culture, catalyzes ethical behavior. By setting a foundation for an ethical culture, not only do you reduce the risks and costs associated with non-compliance, but you also reduce the reputational risk of being viewed as untrustworthy, and, in turn, gain the trust of your employees, your consumers, as well as an advantage over your competitors.

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02 Embedding Compliance within Organizational Culture

Ethical and compliant behavior depends on an ethical company culture: one where employees question decisions when they conflict with organizational values and speak up when facing moral dilemmas.

While it may not be possible to encourage ethical decision making without having ethical leaders, ethical processes and the meaningful technological measures that support them must be in place for “ethical action” to be compliant. **Without repeatable, scalable, and sensible processes in place** to track compliance, the actions directed towards ethical decisions may be futile. In other words, neither leadership nor processes can produce the right action alone, both depend on each other.

In order for companies to create a compliant and ethical culture, company values cannot be simply plastered on walls but must be in the company's DNA. This means that leaders at every level must encourage high standards and accountability towards justice.

But in order for these principles to become second nature, they must be incorporated into not only the attitudes of leaders but into the processes that ensure compliance.

A top-down and bottom-up approach

According to the 2020 LRN Ethics and Compliance PEI Report, "There must be a top-down and bottom-up approach to ethics, by ensuring that throughout the organization there are processes in place to educate, communicate, emphasize, and embrace ethical behavior."²

If managers demand their employees honestly evaluate whether or not there may be a conflict of interest afoot, but provide no defined process for engaging in a conflict of interest review or fail to instill trust in that process, then leadership is not enough. Leadership must be paired with strong processes and whatever technologies are needed to support them to guarantee a meaningful culture of compliance that ensures company-wide ethical decision making.

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03 Compliance Processes Must Be Easy to Succeed

Is the process to request an exception to a policy easy to activate? Or is an employee spending an hour searching for the right person in the compliance department to email? Does the compliance department make it simple for a manager to report a conflict of interest? Or is a paper form that has to be faxed somewhere only to then be manually filed away? Do new processes take months to implement with the involvement of IT and three other departments? Or can a new process be implemented by a few key stakeholders and rolled out to the business in a week?

The best way to make ethical decisions come easily does not require rocket science. Make the processes easy. Technology is a key component for empowering organizations to provide maturity and visibility into the performance of their ethics and compliance programs.



Empowering employees drives ethics enforcement

When employees see their company values reflected not only in words, but in company-wide strategies like in “setting revenue targets and schedule priorities to avoid incentivizing misconduct,” those employees become more likely to act ethically.²

And when those employees have straightforward and easy-to-use means to track their questions around compliance or process, then they become empowered by their company to act ethically.

Technology can make or break an organization’s efforts to instill consistent, ethical processes that can ultimately help drive an organization’s cultural attitude towards ethics and compliance.

As one might expect, nothing works by itself. A company culture that promotes ethical decision making must be firing on all cylinders. It must take into consideration every aspect of the culture, from the people to the processes and technologies, and every aspect of the employee lifecycle, from recruiting to training to compensation and reviews. But once the framework is set and everything is in place, ethical decision making is certain to follow.

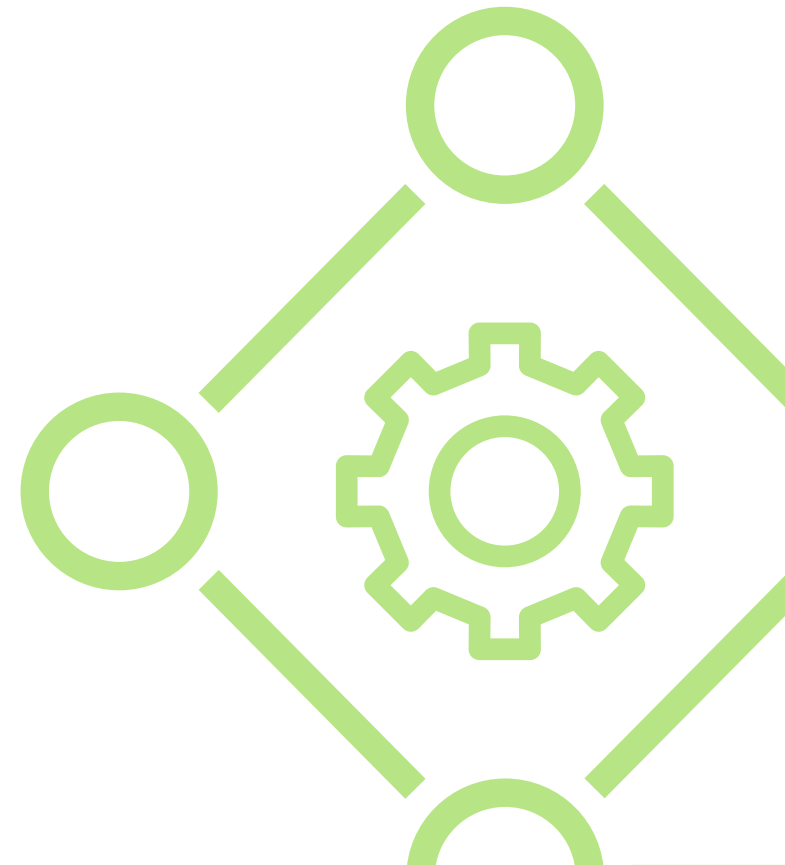
When employees see their company values reflected in company-wide strategies, those employees become more likely to act ethically.

04 Automating Your Way to an Ethical Organization

As we've seen, the best way to make employees behave in an ethical manner is to make such behavior easy. By doing so, those behaviors become pervasive, eventually leading to the sought-after "culture of compliance."

One way of making compliance and ethical behavior a "no-brainer" for employees and even external stakeholders? To somehow embed those behaviors and best practices within the operational processes they follow. This is what leads us to **process automation** as the solution, not for just issues of productivity and efficiency, but also ethics and compliance.

Today's most advanced workflow automation platforms make it simple to streamline repeatable processes which have previously been manual and paper-based, enabling people to work more efficiently, save time and cut costs. This delivers a far more efficient confluence of the people, processes and content that power any organization.



They also, however, allow the organization to **design those processes around compliance**. It becomes nearly impossible for an employee, or stakeholder, or vendor who is party to an automated process to accidentally introduce compliance violations. That's because the process they're following has been rigorously engineered to avoid non-compliance.

Across nearly any organization, you'll find high-value opportunities to automate workflows. The typical drivers for that transformation?

- High frequency, repeatable processes with numerous steps that are vulnerable to frequent errors
- Risk exposure, liability and the need to reduce both
- Compliance and high stakes, with penalties for mistakes or delays
- The need to scale up high-volume processes by making them faster and easier
- Competitive and customer pressures to deliver greater agility

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05 Improving Execution and Oversight

For managers and employees alike within a financial services organization, process automation allows granular control of workflows, as well as dashboard-based visibility into where processes stand and where they can be improved.

- Employees and clients alike can stay on track as tasks, compliance milestones, and necessary assets are determined and automatically enforced by the workflow. So, the work stays aligned with best practices and any compliance requirements.
- Workflow automation takes over repetitive tasks, and eliminates redundancies and waste. This allows participants' time and resources to be better targeted to those stages or tasks where they'll deliver the best outcomes.

- It gives managers the ability to match workflow tasks with staffers who have the right skills for those tasks, rather than assigning work just on the basis of availability.
- Automation software can monitor progress at every step of a workflow, such as when smart forms flag their completion (or incompleteness). Centralizing governance auditing and providing workflow analytics allows managers to continually refine and improve processes and compliance.



06 Creating Better Collaboration

In a COVID-19 reality, employee alignment, collaboration and engagement is a primary concern for organizations, especially as more people are working remotely. Poor collaboration is, unfortunately, often a prelude to compliance missteps.

- A survey by Fierce, a global employee development firm, found **86%** of employees and executives cite lack of collaboration or ineffective communication for workplace failures.
- Gallup found that **only 32%** of U.S. employees feel engaged with their jobs. And manual workflows and mundane processes are among the chief culprits.
- A ServiceNow study found that managers spend an average of **2 days a week** on administrative tasks, preventing them from doing strategic work.



- **Four out of Five** said these routine processes caused significant delays.
- **Three-quarters of them** wanted “simple, self-service support processes that are as easy to use as Amazon or FedEx.”
- **86%** of employees and executives cite lack of collaboration or ineffective communication for workplace failures.

Successful organizations elevate collaboration and engagement by using process automation to eliminate waste, drudgery and distraction while optimizing communication and collaboration.

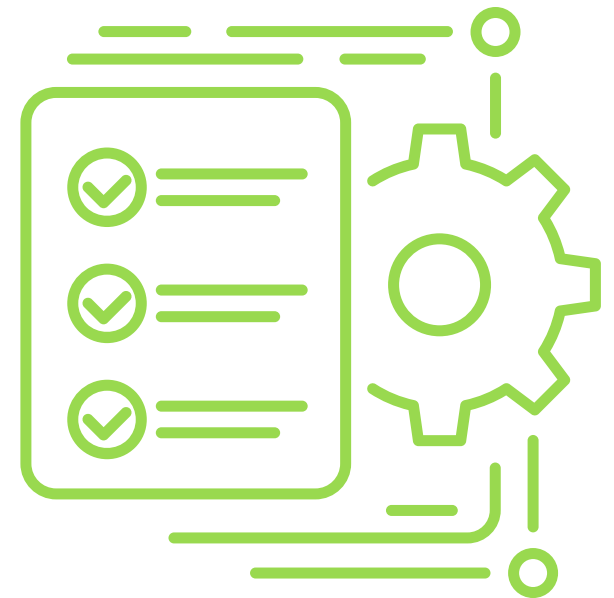
This makes employees at all levels feel they’re being utilized productively. Plus, this “investment in engagement” makes workers more likely to respect the organization and its need for proper processes and compliance, so they’ll behave in an ethical manner.

Poor collaboration is, unfortunately, often a prelude to compliance missteps.

07 Automating Document Flows

One of the areas where process automation can alleviate the costs and stresses on financial services firms? By replacing the burdensome work of manually filling in repetitive documents with template-based digital systems. This can help avoid compliance errors at multiple points in both simple and complex processes.

Many of these documents can run to the scores or hundreds of pages, depending on the industry or instance, and include a universe of options in terms of content and data elements. Completing them manually can be incredibly laborious, costly, and time-consuming...and it's in these kinds of mundane tasks where errors more often occur.



A modern process automation system can employ user interfaces where software-driven Q&As or data entry fields allow it to generate the first draft of a document, which can then be reviewed and routed for approval. Best-in-class platforms let users insert their own rules/logic and data, without programming or coding, and are central to Digital Transaction Management (DTM).

Other features of a good automation solution that make it ideal for document-driven processes?

- Automated merging, permitting users to convert existing documents into templates
- Email support so documents can be easily shared with collaborators for review, editing or approval
- Clipboard managers let a user save and organize frequently-used text modules for quick access and pasting into documents
- Customization of graphics to include personalized or project-specific data (such as charts and graphs)
- Efficient personalization through data merges with pertinent records

Poor collaboration is, unfortunately, often a prelude to compliance missteps.

How is process automation applied to document services for various types of organizations? Here are just some examples.

- **For Financial Services:** Promissory notes, mortgages, deeds, credit agreements.
- **For Insurance and Risk Management:** Certificates, state-specific policy documents, riders, ID cards.
- **For Legal Services:** Contracts, term sheets, NDAs, letters of understanding or agreement.

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errors more often occur.

08 The ROI of Automating Compliance

Optimizing processes and eliminating inefficiencies large and small are big components of workflow automation ROI, obviously. Better efficiency can be gained almost everywhere within almost any organization, and the opportunities aren't always obvious until one adopts a "macro" perspective on operations and the compliance issues that can arise if those operations are still being executed manually.



What are just a few of the costs associated with non-automated workflows in nearly any organization, let alone financial services?

- **Costs of document filing:** According to Iron Mountain, organizations spend 5% of their budgets on filing. For instance, it costs \$25,000 in labor and materials to fill a four-drawer file cabinet and another \$2,000 to maintain it every year.
- **Costs of recovering documents:** PricewaterhouseCoopers estimates finding a lost document will cost a company \$122, on average, and \$220 to reproduce. Worse yet, 7.6% to 10% of all company documents are lost or completely misfiled.
- **Costs of locating crucial information or data:** IDC found that professionals using paper-based workflows spend up to 35-50% of their time searching for information because of the lack of a centralized index or asset repository. Professionals using paper-based workflows spend up to 35-50% of their time searching for information.



- **Costs of materials:** The costs of using paper in the office can be 13 to 31 times the cost of buying the paper in the first place, yet a single average U.S. office worker uses 10,000 sheets a year, according to Reduce.org. And according to The San Francisco Chronicle, printer ink costs more per ounce than a bottle of Chanel No. 5 (and it sure doesn't smell better).
- **Costs in employee efficiency:** According to a ThinkMoney survey, employees waste 759 hours per year due to workplace distractions. Their reasons for losing focus? A lack of challenge, poor job satisfaction, and sheer boredom caused by tedious and repetitive tasks offering no incentive or gratification.

Even in the face of these costs, in virtually every type of organization you'll find departments or teams working with processes that are:

- Confusing to the uninitiated
- Paper-based or Excel-based
- Subject to high failure or incompleteness rates
- Non-standard and lack controls

For a financial services firm, **drastic compliance consequences can arise** just for losing an important document or simply not following a regulator-mandated process properly, and even slight mistakes caused by human error and confusing paper forms can balloon into costly compliance issues. Non-expert employees are often asked to complete every stage of complex workflows, yet don't know the implications and consequences of an error, or simply aren't familiar with the required steps and paperwork.

Combine this with the mushrooming costs of compliance, and it's easy to see why financial services firms need to consider process automation. An industry think tank, the RegTech Council (RTC), made those costs clear:

Bain & Co estimates that Governance Risk and Compliance (GRC) spend accounts for 15-20% of “run the bank cost”, and 40% of “change the bank costs”. Research published by The Trade indicates that banks spent over \$100 billion on regulatory compliance in 2016 alone and this cost is rising. Looking at specific regulations, Dodd-Frank has cost \$36 billion to date.³



Traditional, error-prone methods also result in delays in client-facing processes, damaging client loyalty to your organization. Plus, some clients or prospects may desert a financial services provider due to compliance issues that may not even affect them directly and are solely heard from media and activists who can create long-term reputational damage.

The many faces of process automation ROI

By helping you deal with all of the issues just mentioned? The types of ROI resulting from process automation are multifold:

- Reduction of the **everyday operational costs** of compliance – time, labor, et al.
- Elimination of **human error** leading to lost data or documents or improper compliance actions
- Reduction of the **hard costs of archiving** paper documents
- Risk mitigation resulting in **reduction or avoidance of regulator penalties** for violations
- Improvements in speed and accuracy of response cycles, leading to **better customer/client experiences**, driving loyalty and retention

Drastic compliance consequences can arise just for losing an important document or simply not following a regulator-mandated process properly.

Summary

The need to build positive consumer sentiment for the financial services industry requires a concerted focus on ethics, with ethical behaviors and compliance woven into the very operational fabric of an organization.

To achieve this, process automation is no longer an option for financial services firms. The combined impacts of increasing regulation, greater public and media awareness about compliance shortfalls, and the disruptions caused by incidents like the coronavirus pandemic are forcing this home. With process automation, ethics and compliance are no longer a matter of managerial or employee volition: they're thoroughly embedded in how you do business.

With the right process automation solution in place, a financial services firm will do more than confront and overcome their ethics and compliance challenges. They'll also gain the agility and flexibility necessary to overcome future disruptions, sustain business as usual, and gain competitive advantage.



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About Mitratesch

Mitratesch is a proven global technology partner for corporate legal, risk & compliance, and HR professionals seeking to maximize productivity, control expense, and mitigate risk by deepening operational alignment, increasing visibility, and spurring collaboration across their organization.

With Mitratesch's proven portfolio of end-to-end solutions, organizations worldwide are able to implement best practices and standardize processes across all lines of business to manage risk and ensure business continuity.

Mitratesch serves over 1,400 organizations worldwide, including 30% of the Fortune 500 and over 500,000 users in 160 countries.

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