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The Association of Accountants and Financial Professionals in Business

Statement on Management Accounting

ETHICS IN THE 21ST CENTURY: MANAGEMENT ACCOUNTING PRACTICES FOR ROBUST COMPLIANCE PROGRAMS

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The Association of Accountants and Financial Professionals in Business

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Statement on Management Accounting

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EXECUTIVE **SUMMARY**

Compliance programs are essential to managing a company's exposure to risk. The risks of corporate misconduct can have lasting effects, from costly lawsuits and corporate reputational damage to fines or even imprisonment. Yet despite efforts taken to mitigate occurrences, workplace misconduct still takes place.

Fortunately, management accountants can help mitigate the risk of corporate misconduct by modeling and monitoring employee behavior. Long regarded for compliance, control, and risk management, management accountants are also esteemed for their ability to model ethical and professional conduct, including compliance with relevant laws and regulations, and strategy formulation and implementation.[1]

Working alongside executive leadership, management accountants can play an integral role in ensuring corporate compliance by:

1. Using data analytics to gain insights that enhance the effectiveness of compliance programs.
2. Designing incentive programs to increase internal reporting of fraud and misconduct.
3. Increasing engagement and knowledge retention in compliance training through storytelling and gamification. •

Factors Affecting the Increased Demand for an Integrated Approach to **Organizational Compliance**

Compliance programs have traditionally fallen under the purview of legal departments. But technological advances and heightened complexity in the business landscape have prompted calls for a more integrated approach to addressing organizational compliance. The U.S. Department of Justice (DOJ) in 2020 outlined three key questions to assist prosecutors in evaluating an organization with a potential ethics violation:[2]

1. Is the corporation's compliance program well designed?
2. Is the program being applied earnestly and in good faith?
3. Does the corporation's compliance program work in practice?

Although the DOJ's questions are for prosecutors, it also recommends greater integration during the design and execution of organizational compliance programs. The DOJ's call for change comes at a time when the need for innovation is at an all-time high. Macroeconomic challenges regularly influence the nature of risks and the resulting approach to risk management. For example, as remote work becomes the norm and the effects of global labor shortages continue to impact organizations, strategies are needed to ensure the workforce is aware of and adhering to the full suite of organizational compliance needs. This underscores the importance of broader stakeholder involvement in business decisions, as well as the necessity of including diverse perspectives in achieving greater innovation and more holistic outcomes.
As Thomas Fox, contributing editor to the award-winning *FCPA* (U.S. Foreign Corrupt Practices Act) *Compliance & Ethics Blog*, notes:

> The 2020 [DOJ] Update is most welcome news for every Chief Compliance Officer (CCO), compliance professional and corporate compliance program in the US and beyond. The reason is simple; it ends, once and for all, the clarion call for paper compliance programs written by lawyers for lawyers. The DOJ has now articulated what both the business and compliance communities have been learning, that being that compliance is a business process and as a process, it can be measured, managed and, most importantly, improved.[3]

Management accountants can help design programs to answer the questions outlined by the DOJ, while also responding to global business and regulatory demands for a more multidisciplinary approach to compliance.

The United Kingdom, Brazil, and Spain have enacted laws that take compliance into consideration. For example, the U.K. Bribery Act of 2010 imposes criminal liability on corporations that fail to prevent bribery. Brazil's Clean Company

Act seeks to incentivize companies to demonstrate an effective compliance program by eliminating potential fines. And Spain's legislation, enacted in March 2015, promulgates high standards for effective corporate compliance programs.

Research shows that two key factors inhibit compliance program effectiveness.[4] First, compliance programs are often driven by a check-the-box approach, focused on fulfilling requirements on paper without adequately understanding the impact they have on employee behavior. Second, many organizations continue to rely on the same core tools—hotlines, codes of conduct, and traditional training—despite evidence of their limited effectiveness.

Compliance teams in all industries recognize the importance of positioning compliance work as a strategic value-add. This work requires collaboration of organizational counsel, compliance officers, operational leaders, and functional support teams like accountants and financial professionals, or management accountants.

Management accountants can help design programs to answer the questions outlined by the DOJ, while also responding to global business and regulatory demands for a more multidisciplinary approach to compliance. From overseeing internal incident reporting hotlines to facilitating ethics training, management accountants are well positioned to strengthen internal controls. Management accountants, after all, add strategic value to management of internal operations.

Enhancing compliance initiatives can and should be a key focal area for functional accounting and finance teams.

This Statement on Management Accounting presents effective strategies that can aid management accountants in establishing and strengthening compliance programs. Not only do the proposed strategies and practices enhance existing compliance programs, but they also help employees gain a better understanding of their role in compliance initiatives. •

FIRESIDE CHAT WITH THOMAS FOX

THOMAS FOX

Kelly Richmond Pope: Why do you think compliance officers can benefit from integrating management accountants into the compliance process?

Thomas Fox: Your chief compliance officer is probably going to be someone like me and not someone like you, meaning I'm a lawyer by professional background. My mathematical skills are limited. I can occasionally add two plus two, with a calculator, but this is a long-winded way of saying I'm not good with numbers, and most lawyers are not. We need accounting and finance professionals to not simply help guide us but look at the numbers and then guide us. Managerial accountants can help us understand what the numbers mean and can look at a spreadsheet and really have a deep understanding of what a tenfold increase in marketing means or what a tenfold increase in sales or in expenditures means. All those things that really fall within what I would consider the ambit of the accounting and finance folks.

Pope: When you are consulting and working with companies and leadership teams, do you find that the compliance function is still siloed, or do you find that you see management accountants working alongside compliance professionals?

Fox: The Department of Justice released the update to the evaluation of corporate compliance programs, and in that document, they said the chief compliance officer and a compliance function must have access to all data within an organization. And that, if a CEO or compliance function is siloed, you must be able to explain why. This has really gone a long way toward de-siloing the compliance function and moving more toward a collaborative approach.

Pope: What compliance trends have you noticed?

Fox: Moving compliance out of that silo had been the trend before, but when the DOJ said that specifically, that got a lot of people's attention. As to the second part of involving accounting, unfortunately that's still new. There is a growing opportunity for the role of the management accountant in enhancing the compliance function within organizations. Compliance officers had been struggling with the whole issue around data, and, now that they have access, accounting and finance professionals can help figure out how to extract that data and use it to better run the organization.

Thomas R. Fox—the Compliance Evangelist—is literally the guy who wrote the book on compliance with his seminal one-volume book *The Compliance Handbook*, second edition, which was published by LexisNexis in June 2021. Tom has authored 19 other books on business leadership, compliance and ethics, and corporate governance, including the international best sellers *Lessons Learned on Compliance and Ethics* and *Best Practices Under the FCPA and Bribery Act*, and has an award-winning podcast series *Fox on Compliance*. Tom leads the social media discussion on compliance with his award-winning blog and is the Voice of Compliance, having founded the award-winning Compliance Podcast Network (compliancepodcastnetwork.net). He is an executive leader at the C-Suite Network, the world's most trusted network of C-suite leaders. He can be reached at tfox@tfoxlaw.com.

The Compliance Function

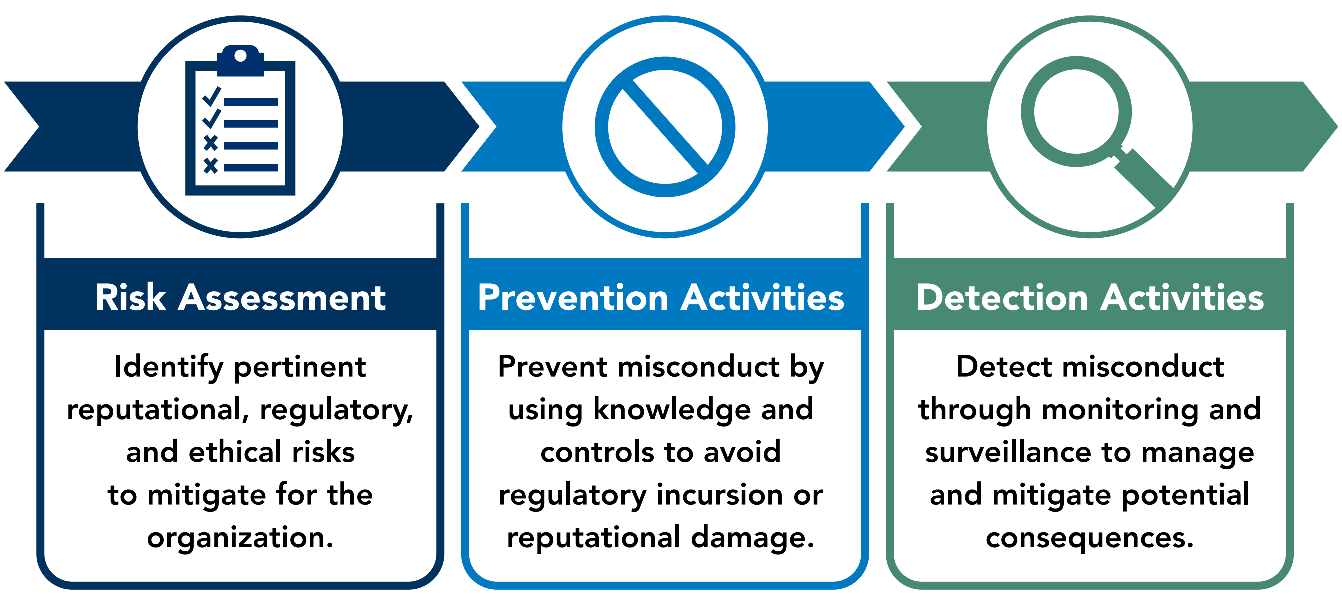
In the late 1900s, regulatory agencies around the world enacted significant corporate compliance laws. The Commission of the European Union (EU), for example, decreased penalties for companies with ethical violations if they had an intact compliance program. The U.S. Sentencing Commission promulgated the Federal Sentencing Guidelines for Organizations (FSGO) to bring greater consistency in sentencing corporations that are found guilty of federal criminal violations.[5] The U.S. FSGO also served as a model for ethics and compliance programs in companies outside the United States. For example, immediately following passage of the U.S. FSGO, the Bank of Tokyo cited that the U.S. FSGO offered "a clear picture for how to construct a compliance program."[6]

Regulatory developments and the rise of increasing scandals that circumvented corporate restrictions are among the reasons there has been an increase in compliance programs in many industries. In the past—and today, too, to some degree—compliance programs were overseen by internal legal teams. In many instances, these programs are designed, implemented, and monitored by a subfunction labeled as the compliance function. Integrating the approach to organizational compliance while utilizing best practices in compliance program objectives and effective compliance programs as grounding principles can help bolster program effectiveness.

Compliance Program Objectives

Designing an effective compliance program is both an art and a science. It is an art because it requires integrating quantitative and qualitative skill sets from a diverse team, and it is a science because there are strict guidelines to which compliance programs should adhere. Most corporate compliance programs are designed around three key areas: risk assessment, prevention activities, and detection activities (see Figure 1). For compliance programs to be effective, striking a balance between the art and science is critical. This blend is important because the principles serve as the foundation for the execution and application of compliance measures.

FIGURE 1: OBJECTIVES OF EFFECTIVE COMPLIANCE PROGRAMS



Effective Compliance Program Characteristics

One of the primary reasons why sentencing guidelines were created was that most jurisdictions lacked clear and concise compliance policies. With the increase of globalization and the establishment of trading blocs such as the U.S.-Mexico-Canada Agreement (USMCA) and the EU, organizations sought guidance on implementing effective compliance programs.[7] The U.S. FSGO served as a model for beginning or evaluating a compliance program.

The following are key components of an effective compliance program (see Figure 2).

1. Written standards of conduct, procedures, and policies. All procedures and codes of conduct should be in a formal written document.

2. Board oversight. The organization's board of directors should be knowledgeable about the organization's compliance and ethics program, and oversees its implementation and effectiveness.

3. Compliance officer or equivalent. The organization should appoint an individual or committee with operational responsibility, autonomy, and authority for the compliance and ethics program. They must have adequate resources, appropriate authority, and direct access to the board or audit committee.

4. Communication and training. The company must create an effective, ongoing training program and establish open lines of communication.

5. Internal monitoring and auditing; anonymous reporting. The organization should develop internal tools to evaluate effectiveness and detect criminal conduct.

6. Reporting and investigating. Employees should be encouraged to raise concerns, and a process must be in place to investigate reports. Protect anonymity or confidentiality to ensure that employees and agents can report or seek guidance regarding potential or actual wrongful conduct and crimes without fear of retaliation.

7. Consistent enforcement—incentives and discipline. A company must establish incentives for compliance and disciplinary actions for violations.[8]

Organizations can use these recommendations as a road map to establish and maintain their compliance and ethics programs, and management accountants can add value in many of these areas. •

FIGURE 2: EFFECTIVE COMPLIANCE PROGRAM CHARACTERISTICS

Source: "Seven Elements of an Effective Compliance Program," *The National Law Review*, January 8, 2020, bit.ly/3Oyeep2.

Management Accountants' Strategies for **Effective Compliance Programs**

Despite an organization's efforts to build and instill a sound ethical culture, sometimes compliance violations arise. In these instances, corporations can be held liable for the actions of their agents or employees, which can prompt an investigation. When an organization is investigated for a potential violation, a prosecutor will always ask whether the company has a well-designed compliance program in place. The prosecutor will examine how the organization has identified, assessed, and defined its risk profile and the degree to which the compliance program devotes appropriate resources to the risks. Management accountants already play active roles in enterprise risk management as a first line of defense and therefore can also deliver value during an investigation.

Key factors that contribute to organizational risks that can impact the nature and approach of investigations include:

- Location of its operations
- Industry sector
- Competitiveness of the market
- Regulatory landscape
- Digital ecosystem
- Potential clients, business, partners, and supply chain partners
- Transactions with foreign governments
- Payments to foreign officials
- Use of third parties, gifts, travel, and entertainment expenses
- Charitable and political donations

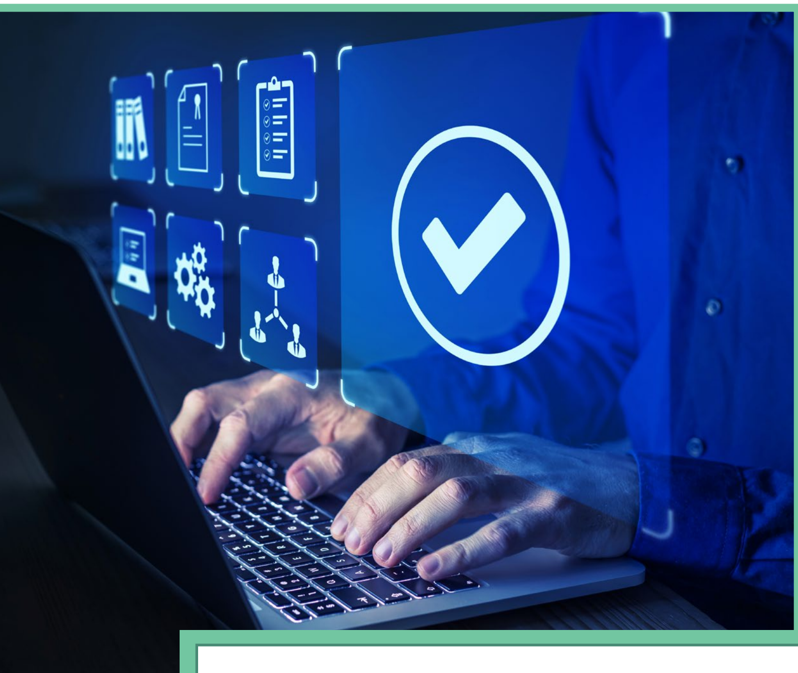
Compliance programs are designed to preserve and sustain an organization's integrity. But many compliance teams lack full control over the many components and decisions that contribute to the company's integrity. These include financial and nonfinancial information management, fostering a "speak up" culture, and effectively strengthening compliance skill sets among staff outside the compliance team.

The finance function is an ideal resource to expand the reach of the compliance program. Management accountants already play active roles within each operational and functional team. But they can also influence decisions that shape the organization's integrity. Management accountants can help ensure robust compliance programs by leveraging existing expertise and regulatory knowledge to implement strategies that deliver insights through data analytics, assisting in incentivizing internal reporting, and strengthening training offerings.

Strategy 1: Gaining Insights through Data Analysis

There is increased demand for management accountants to perform data-driven analysis aimed at gaining insight and valuable business intelligence that enables strategic thinking.[9] Technological advances such as artificial intelligence (AI), 3D printing, robotics, the Internet of Things (IoT), and quantum computing are key catalysts for management accountants' accelerated data analytics skills development to meet demands of the Fourth Industrial Revolution.[10] According to Chris Mishler, a past chair of the IMA® (Institute of Management Accountants) Technology Solutions and Practices Committee, "Data analytics skills are a critical pathway for management accountants to know the right questions to ask and how to get the answers their organizations need to succeed."[11] Finance functions now marry financial and nonfinancial data when implementing leading-edge analytics, which can drive down costs, improve decision making, and maximize customer value.

As an extension of this expanded role, the finance function can be invaluable to compliance program integration. Upskilled management accountants can use data analytics to aid compliance teams in identifying key focus areas, such as strengthening adherence to codes of conduct or monitoring engagement around training and development. Because of their heightened understanding of an organization's information landscape, management accountants can help evaluate data quality and play active roles in data collection and data-scrubbing processes. Data analytics can also help management accountants evaluate historical trends and prescribe more effective preventive and detective compliance practices.



Although becoming data-driven is a common goal for many organizations, most have not achieved that objective. The 2021 *Big Data and AI Executive Survey* of 64 C-level technology and business executives from *Fortune* 1000 companies (including American Express, Bristol Myers Squibb, and McDonald's) found that 72% of survey participants have yet to forge a data culture, and 52% admit that they are not competing on data and analysis.[12] Management accountants can help their organizations overcome the obstacles faced when pursuing more data-driven decisions. As management accountants increasingly use data analytics to help businesses uncover valuable insights and manage risk, this is a natural extension for them.

Utilizing Data Analytics to Strengthen Compliance Programs

According to a 2020 *Wall Street Journal* article by Dylan Tokar, there's a "slow shift toward data-driven corporate compliance programs."[13] For organizations that come under DOJ scrutiny, prosecutors are now asking teams whether they have access to the right data. If management accountants are fully integrated into the compliance program, their holistic view of the organization and its existing information systems can aid in the design and execution of compliance programs. From utilizing Big Data and embracing data visualization platforms to implementing automation and voice recognition, data analytics options can be utilized to mitigate risk and ensure organizational compliance.

DATA ANALYTICS IN ACTION: BEHAVIORAL REPORTS

A key example of data analytics contributing to robust compliance programs is the use of behavioral reports. Known as a source of behavior data, behavioral reports can provide insight on how employees are engaging with and responding to training around various issues related to risk, governance, and ethics. Behavioral reports are often generated from websites, mobile apps, customer relationship management systems, call centers, help desks, and billing systems. If a behavioral report shows that a team is not engaging with training around an important security measure, compliance teams are alerted to the potential risk. Given that behavioral reports shed light on the "what" and the "how" of employee data to inform the "why" of employee behavior, management accountants can generate and analyze these types of reports, contributing to the enhancement of internal compliance practices.

There are four primary types of data analytics: descriptive, diagnostic, predictive, and prescriptive. Each type enables users to answer a key question. Table 1 presents the question answered for each type of data analytics and illustrates how management accountants can assist compliance teams and compliance programs.

TABLE 1: FOUR KEY TYPES OF DATA ANALYTICS

Analytics Type	Question Answered	Extending the Management Accountant Role to Compliance
Descriptive analytics	"What is happening?"	Management accountants report on the flow of financial activities throughout their organization. In the compliance space, management accountants generate descriptive data, reporting the number of compliance incidents or potential incidents observed. They could also pull data on the length of time and frequency of employee engagement around specific compliance training programs or courses.
Diagnostic analytics	"Why did it happen?"	Management accountants regularly analyze variances and report historical performance. In support of compliance programs, diagnostic analytics could uncover key trends in compliance incidents or potential gaps in control processes. These insights would reveal control weaknesses in certain processes and inform updates of the organization's risk profile.
Predictive analytics	"What is going to happen?"	Management accountants are instrumental in building forecasts and identifying patterns that shape those forecasts. Predictive analytics can be used to estimate the likelihood of compliance violations informed by trends and control gaps identified through diagnostic analytics.
Prescriptive analytics	"What should happen?"	Management accountants use views of what is expected to happen, garnered from predictive analytics, to inform or prescribe strategic decisions. Compliance programs can benefit from prescriptive analytics by introducing new controls, bolstering compliance training approaches, and designing incentives for internal reporting, among others.

Source: Master of Accounting Program, University of North Carolina Kenan-Flagler Business School, "Why data analytics matters to accountants," March 23, 2021, unc.live/3bFEQG1.

Management accountants can also help develop predictive algorithms that can provide critical information about potential organizational threats like fraudulent activity. For example, Airbnb, the San Francisco-based online rental platform, uses data analytics to locate and flag illegitimate listings. This protects both the company and its clients from future losses. The use of Big Data can improve risk analysis by providing management accountants with access to more timely data, which can then help compliance teams respond to issues faster.

Data visualization tools can also be used to communicate compliance analytics findings more easily and more quickly. Say, for example, you want to report how long the average employee in various departments spends reading the code of conduct. Presenting a picture for viewing is a more powerful way to communicate this information to senior leadership than presenting a list in a spreadsheet because pictures can often show relationships more easily and more quickly. Additionally, if an organization wanted to know when most employees complete their annual compliance training, they could communicate their findings through a dashboard accompanied by other key performance indicators. Given the speed and volume of data collection in organizations, management accountants can assist compliance teams by making sense of large sets of data to help inform decision making and more effectively communicate results.

In recent settlements, authorities have shown a willingness to cut penalties for companies that have implemented data analytics or monitoring tools into their compliance programs. See "Brief Case: Compliance at Microsoft" to learn how a Hungarian Microsoft subsidiary benefited from implementing data analytics into its compliance process.

BRIEF CASE: COMPLIANCE AT MICROSOFT

In 2019, a Hungarian Microsoft subsidiary agreed to pay $25 million in fines after a probe by the DOJ and the U.S. Securities & Exchange Commission (SEC) found that it had used discounts on software licenses to fund bribes intended for foreign officials. This would be a violation of the FCPA. During the investigation, the subsidiary began building an innovative compliance analytics system that allows Microsoft to flag risky partners and deals. Authorities acknowledged the company's development then rewarded it by lowering the fines and issuing a more lenient settlement agreement.

Strategy 2: Incentivizing Internal Reporting

One effective way to teach employees about compliance is to lead with a values-based culture, specifically a values-based compliance culture. According to the Society for Human Resource Management (SHRM), a values-based culture is shaped by a clear set of ground rules that establish a foundation and guiding principles for decision-making, actions, and a sense of community.[14] In a values-based compliance culture, employees share a common set of values, are aware of compliance risks, and feel empowered to "speak up" when they see misconduct or the potential for compliance failures.

Organizational incentive programs can help empower employees to report misconduct. According to the National Whistleblower Center, rewards for internal reporting are effective because "(1) they promote positive behavior by employees who witness wrongdoing, and (2) they create a deterrent effect within the market through large award payments."[15] Commitment to confidentiality is crucial for some, if not all, employees to decide to speak up. But if confidentiality is not an option, incentives can be an effective way to inspire employee reporting.

Employee incentives can include monetary and nonmonetary rewards. Monetary rewards include "spot awards," which are bonuses that are distributed close to the time of the action that prompted the bonus, rather than through an annual or traditional performance cycle. Nonmonetary incentives could include positive performance feedback, rewards based on personal interest, flexible hours, penalties for retaliation, and, if appropriate, internal recognition through organizational communications.

Whistleblowers—people who publicize an alleged dishonest act—are the most effective information source in fraud detection.[16] Organizations with whistleblower programs that seek to incentivize individuals often provide high-quality tips that lead to successful enforcement actions. Since the inception of the U.S. SEC whistleblower program in 2010, the SEC has recovered more than $2.5 billion in financial remedies from whistleblower tips.[17] The program has significantly improved the SEC's ability to detect fraud schemes domestically and abroad, thereby significantly improving investor protection. It is worth noting that the SEC has received tips from whistleblowers in 123 countries outside the U.S. has made substantial payouts to foreign whistleblowers.[18]

An essential feature of values-based compliance is a commitment to facilitating "open reporting" or mechanisms for raising concerns. Characteristics of values-based compliance programs include:[19]

- Clear policies and expectations
- Engaged employees who own and actively participate in the program
- Use of metrics and data analytics
- Knowledge sharing of lessons learned throughout the company
- Ongoing training programs that are current and interesting

Together, these features enhance the culture that is essential for a successful compliance program.

BRIEF CASE: VALUES-BASED COMPLIANCE AT GE POWER

GE Power, named by Ethisphere Institute as one of the most ethical companies, prides itself on embracing a "speak up" culture in efforts to maintain a values-based compliance approach. GE Power's reported approach to values-based compliance (it also refers to it as "integrity-based" or "do-it-right" compliance) focuses on several key elements. First, the company strives to drive compliance ownership beyond the compliance team, avoiding a typical siloed approach to compliance. It expects all employees to own compliance. This expectation is communicated regularly and extensively, not just via the code of conduct and published ethics principles but in many other business programs and activities. GE Power strongly encourages employees to raise issues, even potential or unconfirmed issues, and makes it easy for them to do so. People can report issues via hotlines, ombudspersons, human resources, legal, compliance, or managers. This shared compliance ownership creates an opportunity for management accountants and finance professionals to help organizations communicate internal initiatives.

Source: "How to Develop a Values-Based Compliance Culture," *POWER*, June 1, 2017, **bit.ly/3bFFSSp**.

The Need for Whistleblowers in Values-Based Compliance Programs

Whistleblowers provide valuable firsthand information that may otherwise not come to light. These high-quality leads are crucial to protecting investors and recovering ill-gotten gains.

A 2021 survey of 2,000 office staff across the U.S. and the U.K. conducted by Vault Platform found that 75% of U.S. office workers have witnessed some form of workplace misconduct during their careers. Fourteen percent of staff who experienced workplace misconduct in the 12 months before the survey was published ended up leaving their jobs. Workers who took time off in 2021 due to their experience with workplace misconduct missed, on average, six days of work or 43 million sick days. This resulted in a $8.54 billion loss for the U.S. economy. In addition, more than two-thirds of employees who observed misconduct did not report it. The reasons why are obvious: In 82% of fraud cases where the whistleblower's identity was revealed, the person allegedly was fired, quit, or had their responsibilities significantly altered.[20]

Some companies dissuade employees from whistleblowing externally. In 2016, several major corporations violated SEC regulations against retaliation or impeding reporting. For example, Merrill Lynch used language in its severance agreements that prevented employees from voluntarily providing information to the SEC. Merrill Lynch was fined $415 million. Belgium-based Anheuser-Busch InBev used illegal separation agreements and retaliated against a whistleblower who expressed concerns internally about how reserves were calculated, prompting the company to be penalized $6 million.[21] Strengthening their internal reporting culture and encouraging employees to voluntarily speak to company officers first would have been a better course of action.

Retaliation is a significant concern for many potential whistleblowers, and strong anti-retaliation laws are crucial. Internal employees like management accountants and financial professionals can help shepherd whistleblower protection programs. Ensuring that all employees are aware of internal and external hotlines is extremely important. Additionally, having a sound internal reporting mechanism in place so that potential whistleblowers feel protected and supported is also key. Many potential whistleblowers fearful of retaliation at work will not come forward without protective measures in place. When appropriate, confidential counseling options could also be offered to better support employee whistleblowing efforts.

Strong internal anti-retaliation restrictions are essential in making employees feel comfortable coming forward.

RICHARD BISTRONG

FIRESIDE CHAT WITH RICHARD BISTRONG, COMPLIANCE EXPERT

Kelly Richmond Pope: Tell us a little about your background.

Richard Bistrong: I spent 20 years as a sales executive, 10 years focused on the U.S. market and 10 years focused on the international market, in a public company environment. With global operations, there's always pressure to perform, and I certainly knew about foreign bribery restrictions. I was aware of the Foreign Corrupt Practices Act (FCPA), and I signed paperwork to that effect. But I ultimately ran afoul of the U.S. FCPA as well as U.K. trade laws while I was living in the United Kingdom. I was ultimately sentenced for my own violations in the U.S. and the U.K. and spent 14-and-a-half months in prison.

> Training is not preparation.

Pope: You said you signed off on your compliance training. Looking back, were there ways of making training more successful so that the pressure you faced in the "real world" could have been managed better?

Bistrong: What I've come to appreciate is that training is not preparation. People move around in organizations all the time. I went from a U.S. role, which was high in opportunity and lower in risk, to an international-facing role, which was lower in opportunity and higher in risk. When people change roles in organizations, they often have new laws and new codes that will govern their new interactions. For example, if you are in international sales, the rule, of course, is "just say no to bribery" because we don't bribe. Some people call that training, but I call it a wall poster. A poster is not preparing people for the real-world risks that they're going to inevitably face before they're in the middle of them. Why? Because "just say no" does not operationalize ethics and compliance. Global bribery is not a one-size-fits-all problem, or solution, so ethics and compliance programs (and messages) need to be calibrated to those very real-world risks and challenges.

> When finance teams look holistically at data… the financial data can tell a story.

Pope: How can managerial accountants help innovate the compliance function in organizations?

Bistrong: Managerial accountants really see the bigger picture. For example, if they're starting to see spikes in sales at the end of every fiscal quarter, not only will they see it, but they also need to ask about it, and those won't always be very popular or welcomed queries. But managerial accountants will know to start asking the right questions, like "What's going on around here, because this just doesn't look right," because they see the data pattern. That is so invaluable as yet another layer to being the guardian and gatekeeper of proper business conduct. Management accountants, as finance professionals, have the ability to look at things at an atmospheric level in addition to the transaction level. Not every function has that level of scope and line of sight into the business.

Pope: That's a very good point. The 30,000-foot-level view can be an important asset to compliance professionals.

Bistrong: That's exactly right. I often talk about travel and entertainment. The finance department is combing through those expense reports, often looking for double-dipping and other types of fraud. They're making sure that hotel bills aren't being used as a way of funneling money out of a company. But those same expense reports serve as an employee behavioral fingerprint which provides very important information to an organization. Those expense reports tell you who your people are spending their time with. Would it make sense if you have someone on your sales team that's visiting an account, time and time again, where you're not doing a lot of business with that account? What are they talking about so frequently if it's not leading to sales? This type of thinking is what makes finance professionals, like managerial accountants, important to the compliance function. When finance teams look holistically at data, and not just transactionally, the financial data can tell a story.

Pope: Like I always say, numbers tell stories. It's up to us to pick up the book and read that story and develop a solid path forward.

Bistrong: That's exactly right, Kelly. I can't emphasize this enough in companies that have remote locations, which are pretty much most global multinationals. They may not have the resources to have a well-staffed compliance team in their Asia office, for example, or in their Middle East office. So, from a compliance perspective, they may have (and most often do have) very strong financial managers like management

FIRESIDE CHAT WITH RICHARD BISTRONG, COMPLIANCE EXPERT (CONTINUED)

accountants in those locales, and, as such, they can serve as partners with their compliance colleagues to manage an effective program. As those remote offices get smaller and smaller, financial managers can play a valuable role in managing a robust ethics and compliance program.

Pope: Staffing the compliance function could be a resource allocation issue. One way to fix this is to look to individuals in the financial function to assist with compliance improvements. Do you think that it's rare to see an integration of management accountants and finance people working alongside compliance professionals?

Bistrong: I have to say yes. Even imperfectly, we are heading in the right direction of a more integrated approach. When I'm working with leadership teams, I'm seeing much more of a collaborative approach; each department is facing the same sort of challenges, and they are solving them together. For other types, the chief financial officer doesn't want to sign off on financials where there's fraud involved, so we're starting to see more and more of sharing information and working together.

> "It takes a village to do something right, and it takes a village to do something wrong."

Pope: What advice would you offer to those thinking about enhancing their compliance programs?

Bistrong: It takes a village to do something right, and it takes a village to do something wrong. Yet the financial departments, especially in a public company environment, see everything. Even in my own plea bargain, there were unindicted coconspirators from financial functions. That's not to say that they could have stopped what was going on, but they certainly were able to have asked the difficult questions. In my case, I was increasing sales in a downward market, which returns to the theme of what you do with data and to ask what lies "beneath the numbers."

Pope: Here's my final question. Why should people listen to you?

Bistrong: That's an interesting question. I leave it to each individual if they want to (or not) embrace my work and consultancy. Let's call it for what it is: I broke the law. I committed a felony, and because of those decisions, I appreciate that my message can be discarded, distorted, or just diluted. But what I will share with transparency is what happens out there, reflecting on my own experience, which is not all that unique. The commercial mindset to grow the business hasn't changed all that much since I was in executive leadership, and we also know from data that 3% of our global domestic product is being siphoned off to bribery and corruption. So how do we keep people from thinking that they are in the middle of competing corporate objectives between the pressure to succeed and the pressure to comply? I want employees to know that they never have to be in conflict on their own. Hopefully, I can help to surface some unknowns and help make difficult issues discussable to help employees and companies bridge those gaps, so that what everyone wants to happen on the front lines of operations actually happens.

Richard Bistrong spent much of his career as an international sales executive in the defense sector and currently consults, writes, and speaks on foreign bribery and compliance issues from that front-line perspective. Bistrong's experience included his role as the vice president of international sales for a large, publicly traded manufacturer of police and military equipment, which required his residing and working in the U.K. In 2007, he was targeted by the U.S. DOJ in part due to an investigation of a United Nations supply contract and was terminated by his employer. In 2012, Bistrong was sentenced as part of his own plea agreement and served 14-and-a-half months at a federal prison camp. He was released in December 2013. Through his consultancy, Front-Line Anti-Bribery LLC, Bistrong now conducts corporate workshops and keynotes to sales, marketing, and business development teams; leadership groups, including boards, C-suite executives, and functional leaders; and compliance groups, including control functions such as internal audit, finance, and human resources.

Strategy 3: Enhancing Compliance Training

Organizations struggle with compliance training for a variety of reasons.

Three Reasons Compliance Training Goes Wrong

1. Too much too soon.

ISSUE: Many organizations attempt to combine compliance training with onboarding new employees. Consequently, they spend a minimal amount of time on compliance concepts. Although incorporating compliance into onboarding sends an important message that compliance is important within the organization, it is typically not enough time. In order to really retain the information, employees need to spend time learning about the rules and regulations.

SOLUTION: Start with the compliance topics that matter most to your organization. Leveraging a holistic understanding of overall business processes and many compliance regulations, management accountants can play active roles in compliance topic selection and prioritizing compliance course content and timing to aid in retention of important information.

2. The courses are too long.

ISSUE: Long courses tend to be boring and lack the necessary engagement to influence future behavior.

SOLUTION: Research by University of California Irvine computer sciences professor Gloria Mark found that the average human attention span is 40 seconds before it switches to another task. Yet many organizations rely on text-heavy slides to convey important compliance topics.[22] Utilize "microlearning" strategies so courses can be broken into bite-size lessons that answer one question at a time. Microlearning is an organizational training method that delivers short bursts of on-demand content for learners to study at their convenience. Learners are more likely to retain information presented in this way.[23] Microlearning courses can employ various media forms such as images, infographics, text, videos, and games to ensure engagement throughout the course.

3. The courses don't allow for application.

ISSUE: Employees need to put compliance training into practice before an issue arises, but they often do not have the opportunity to do so. Allowing learners to see themselves immersed in the scenario will contribute to greater knowledge retention.

SOLUTION: Gamification allows employees to practice compliance issues and utilize scenario-based learning. Scenario-based learning is an instructional strategy that uses interactive scenarios as the basis for learning.[24] These scenarios imitate real-life situations and train the learner in complex decision making via simulated work challenges. Ethics and fraud scenarios make for excellent scenario-based learning courses.

Storytelling

Given that our brains are hardwired to respond to stories, story-based training can be an effective, cost-efficient way to upgrade internal employee training programs. Specifically, digital stories have the added advantage of being potentially multimodal (words, images, sound, and movement) and easily shared within an organization. Utilizing storytelling and gamification as training techniques can invigorate a traditional compliance program. Furthermore, management accountants can leverage existing expertise to contribute to the betterment of compliance training initiatives through these approaches. When developing engaging content, it is important to consider the seven principles of digital storytelling developed by Joe Lambert (see Table 2).

Although many people might not consider management accountant's to be natural storytellers, storytelling is an integral component of the management accountant's role. Management accountants are known for telling the story behind financial and often operational data and are increasingly relied upon to do so through data visualization tools. Experience in telling the story behind the numbers, knowledge of the business, and familiarity with compliance regulations and controls make management accountants well positioned to help create stories that communicate key policies or cultural aspects.

TABLE 2: SEVEN PRINCIPLES OF DIGITAL STORYTELLING

1. Point of View	The main point of the story and the perspective of the author in relation to the story
2. A Dramatic Question	A key question that keeps the viewer's attention and will be answered by the end of the story
3. Emotional Content	Serious issues that come alive in a personal and powerful way and connect the audience emotionally to the story
4. The Gift of Your Voice	A way to personalize the story to help the audience understand the context and to get a stronger sense of the person behind the story
5. The Power of the Soundtrack	Music or other sounds that support and embellish the story
6. Economy	Using just enough content to tell the story without overloading the viewer
7. Pacing	The rhythm of the story and how slowly or quickly it progresses

Source: University of Houston, "About Digital Storytelling: The 7 Elements of Digital Storytelling," bit.ly/3R3l5YY.

Gamification

Much of what can go wrong with compliance training has to do with the use of antiquated, inflexible training methods, like daylong seminars with a lecturer who delivers content from static slide deck presentations. Alternatively, games, branching scenarios, and simulations allow for storytelling where dangers and disasters can be framed as "adventures." Gamification, the strategic application of typical game mechanics and elements to enhance engagement and knowledge retention, can elevate compliance training. While the foundation of gamifying compliance training content would likely include storytelling, interactive learning experiences through gamification would build upon storytelling to include the incorporation of real-world scenarios, the requirement for active application of knowledge, and a digitized or animated experience.

Games in which learners are required to assess risk profiles, recommend risk mitigation strategies, identify potentially fraudulent activity, and report corporate misconduct can increase the likelihood that employees understand actions they are expected to take and feel more comfortable taking those actions. Additionally, badging (awarding digital badges at course completion that can be featured on social media platforms) can allow employees to share and celebrate their accomplishments, as well as reinforce a commitment to a positive compliance community.

When attempting to incorporate gamified training content, consider the following:

- Choose real-world case facts to gamify.
- Provide learners with the option to solve the game by providing clues throughout the learning experience to increase engagement.
- Ensure the game introduces a realistic conflict so that an emotional connection is made between the dilemma and the learning objectives. •

BUILDING COMPLIANCE PROGRAMS OF THE FUTURE

The DOJ's 2020 memo recommended that compliance officers have access to all data. The new demands of compliance professionals present an opportunity for accountants and financial professionals to offer value-added guidance to aid in ensuring organizational compliance. Upskilled management accountants equipped with data analytics capabilities can better analyze real-time data to help direct compliance teams to areas of concern. An incentivized employee population can encourage more people to come forward if they have witnessed questionable practices, and more innovative training can energize employees and help promote a positive work environment.

Management accountants are often an untapped resource in many organizations that are poised to meet today's compliance needs. These "secret" assets can help a company prepare for ethical considerations they may not have anticipated, into the 21st Century and beyond.

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