State of Compliance 2021 Survey Results

by Nimonik

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What is this survey?

Compliance is a moving target. No organization is ever fully compliant with all of its obligations.

> “Obligations are any mandatory or voluntary requirement that your company needs to comply with. You can separate obligations into two broad categories - Internal and External. Internal obligations come from corporate documents, while external obligations come from government regulators and industry bodies.”

In addition to changing obligations, organizations are constantly changing due to mergers, acquisitions and management change. These changes are a constant struggle for any organization.

This survey of over 150 industry professionals paints a portrait of compliance in 2021. We hope you will find some insights worth sharing with your colleagues.

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The survey

In 2021, Nimonik surveyed 100 compliance and risk professionals at mid-size businesses or business units of larger organizations. The aim is to better understand how they are managing compliance and how they see the compliance landscape evolving in the next year.

When results from Chinese companies differed substantially, we broke out their data in the charts.

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Executive Summary

Most organizations surveyed feel their compliance burden will increase in the years to come, but they are relatively well equipped to tackle it.

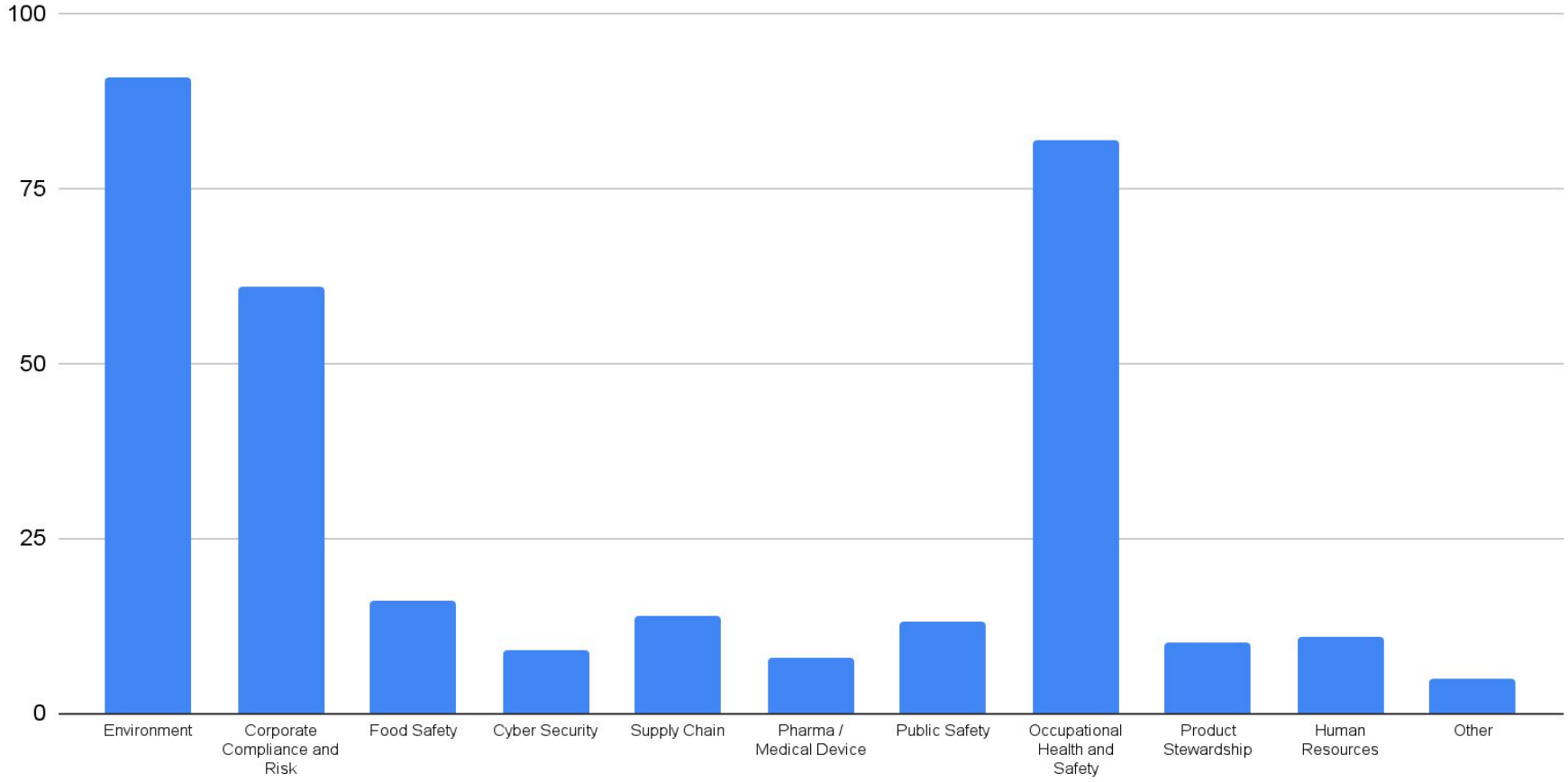
Chinese companies have more concerns around fines, penalties and sanctions than North American or European companies.

Most organizations feel they could use more resources to tackle compliance; this is especially true in China.

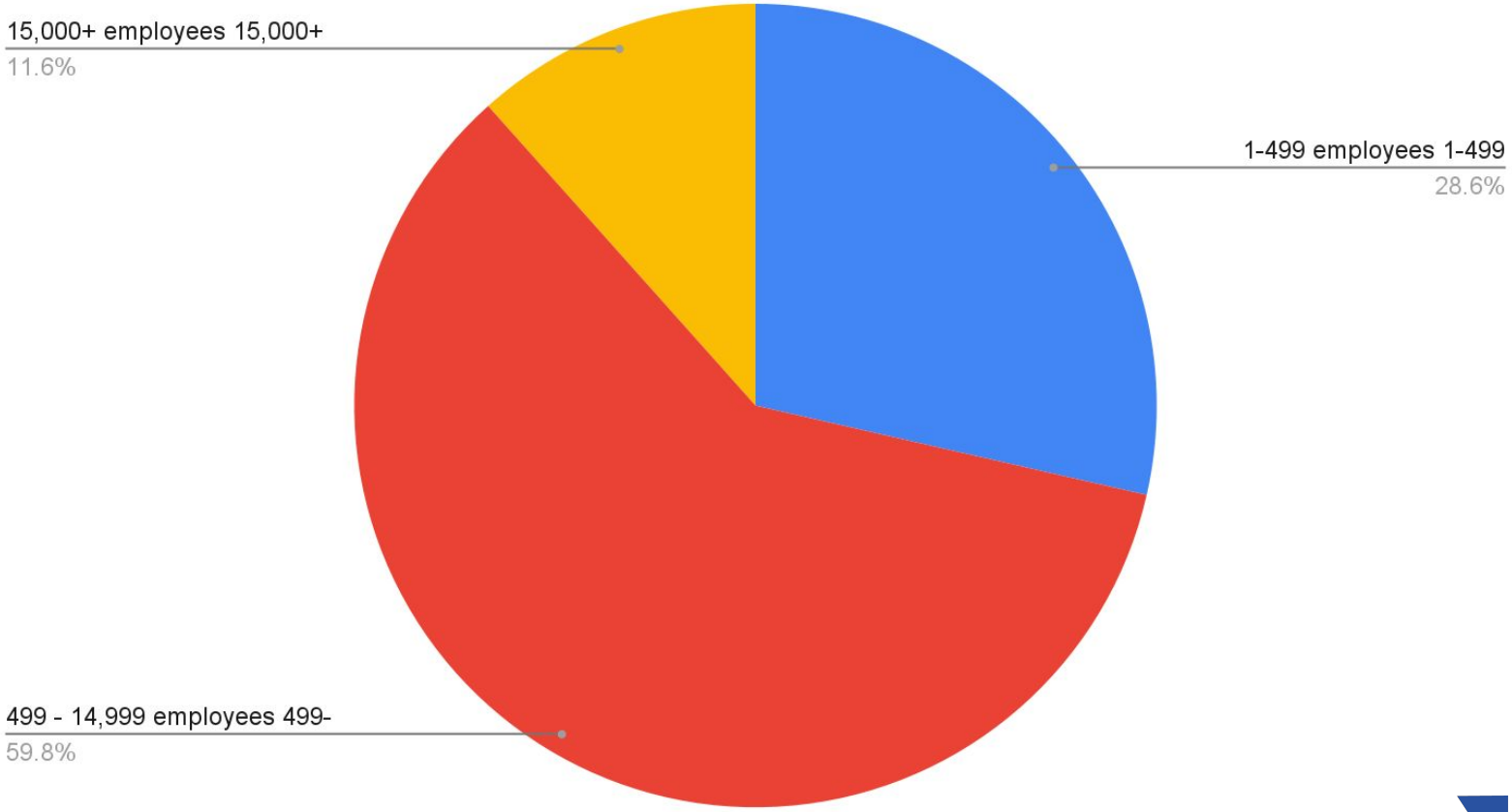
All organizations indicated that they lost substantial time and money on “surprises”. These losses were often thousands of hours and millions of dollars. This is perhaps the single biggest issue organizations are facing: how to reduce or avoid unwanted events?

Survey Participants

Which areas of compliance are you involved in?



What is the size of the organization where you work?



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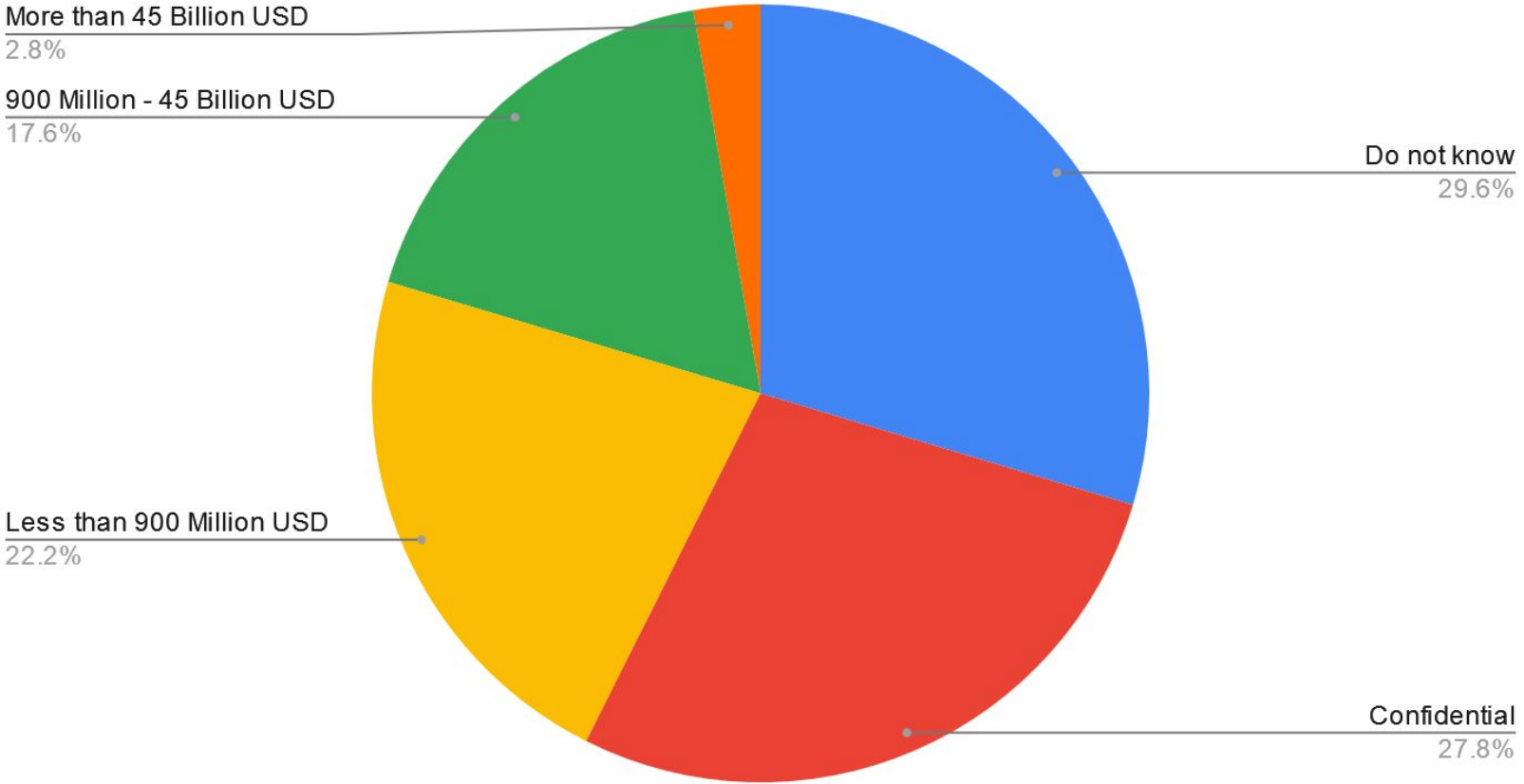
What is the market capitalization of the organization or business unit you work in?



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Survey Results

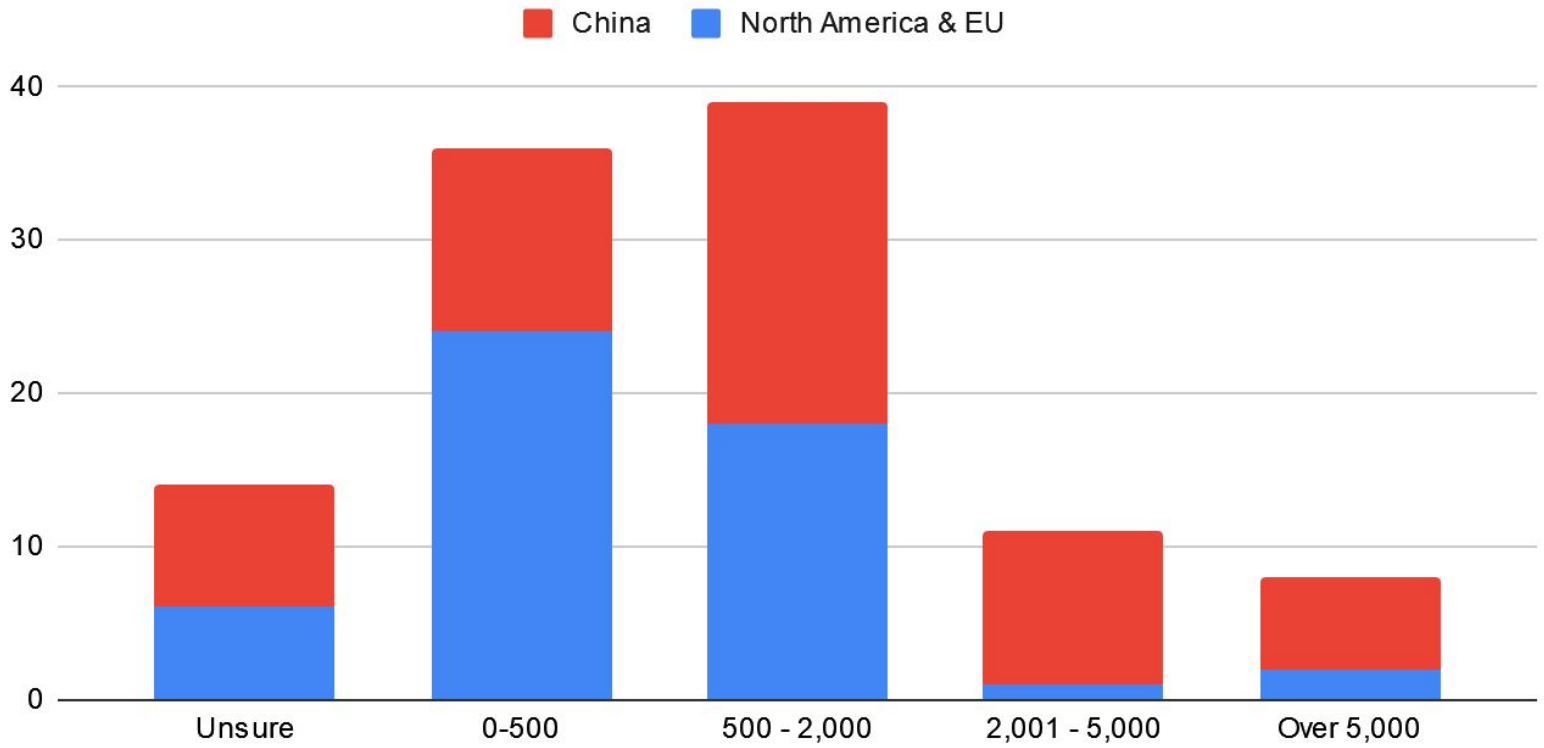
Perception of compliance burden

Most organizations feel they have over 2,500 obligations with about 4% changing every year. This lines up with observations at Nimonik. Our data of over 450,000 regulatory documents shows that about 3.5% or over 15,750 documents are repealed, replaced, introduced or amended every year.

Internal obligations from contracts, permits, supplier agreements and stakeholder engagements form at least 30% of obligations. These are generally not being managed effectively, as demonstrated by our 2020 survey on Internal Obligations.

Organizations have a high level of confidence they are “mostly” in compliance; whether they have the data to support this is another question entirely.

How many obligations (things you must comply with) do you think your organization has from regulations, standards and internal documents such as permits and procedures?



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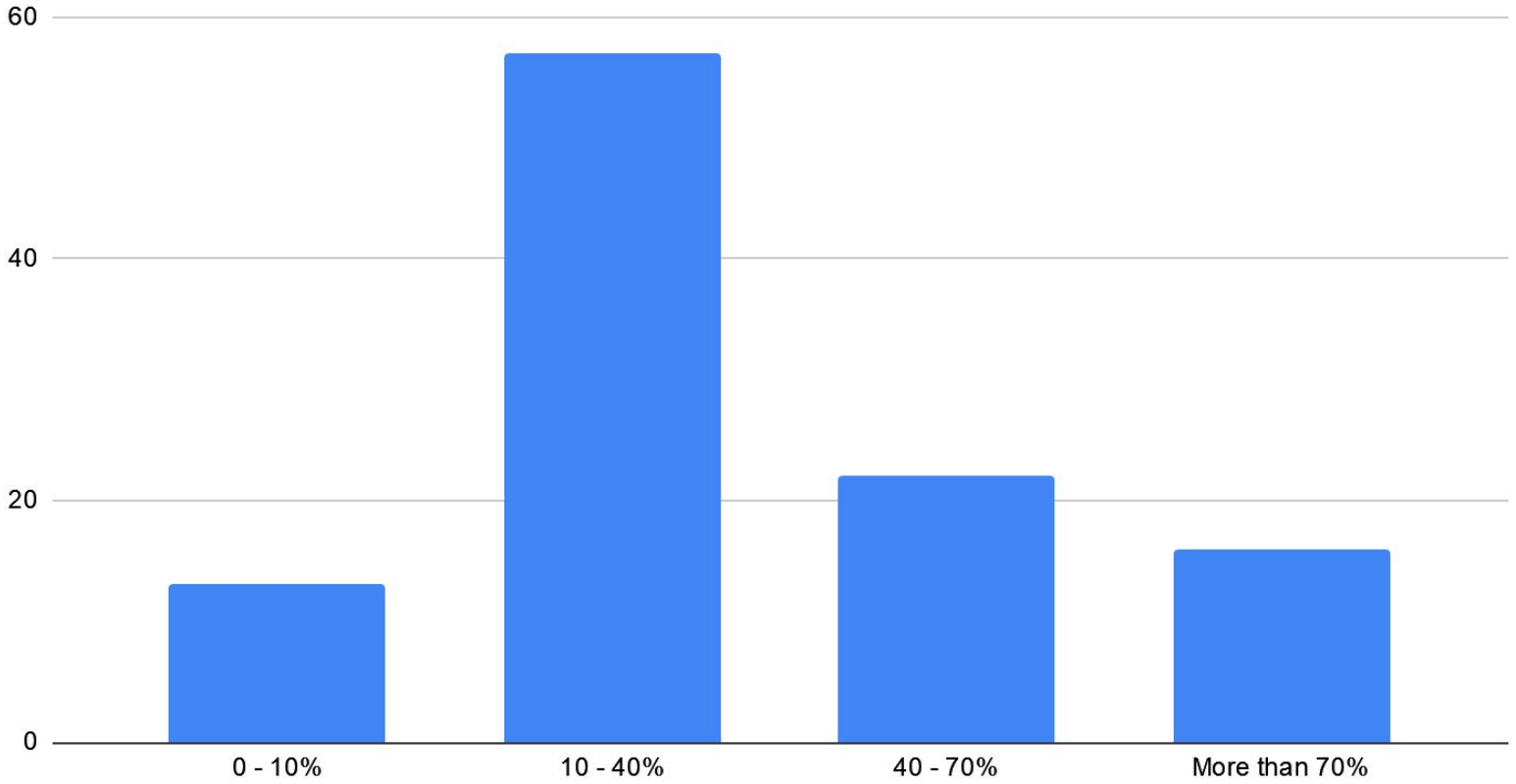
Of your obligations, what percentage come from your internal documents such as permits, procedures, contracts and other files?



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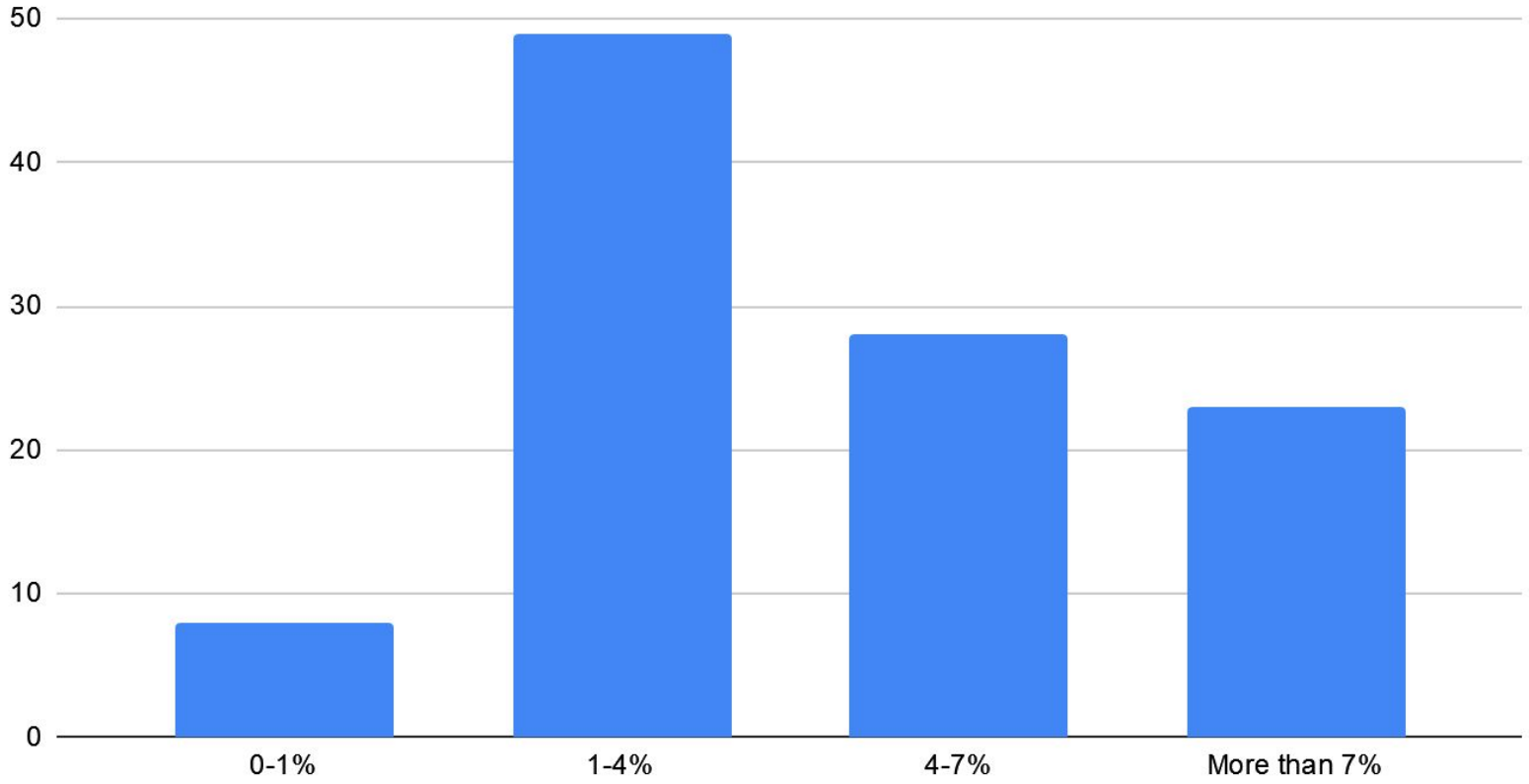
In your opinion, what % of regulations and standards applicable to your organization change every year?



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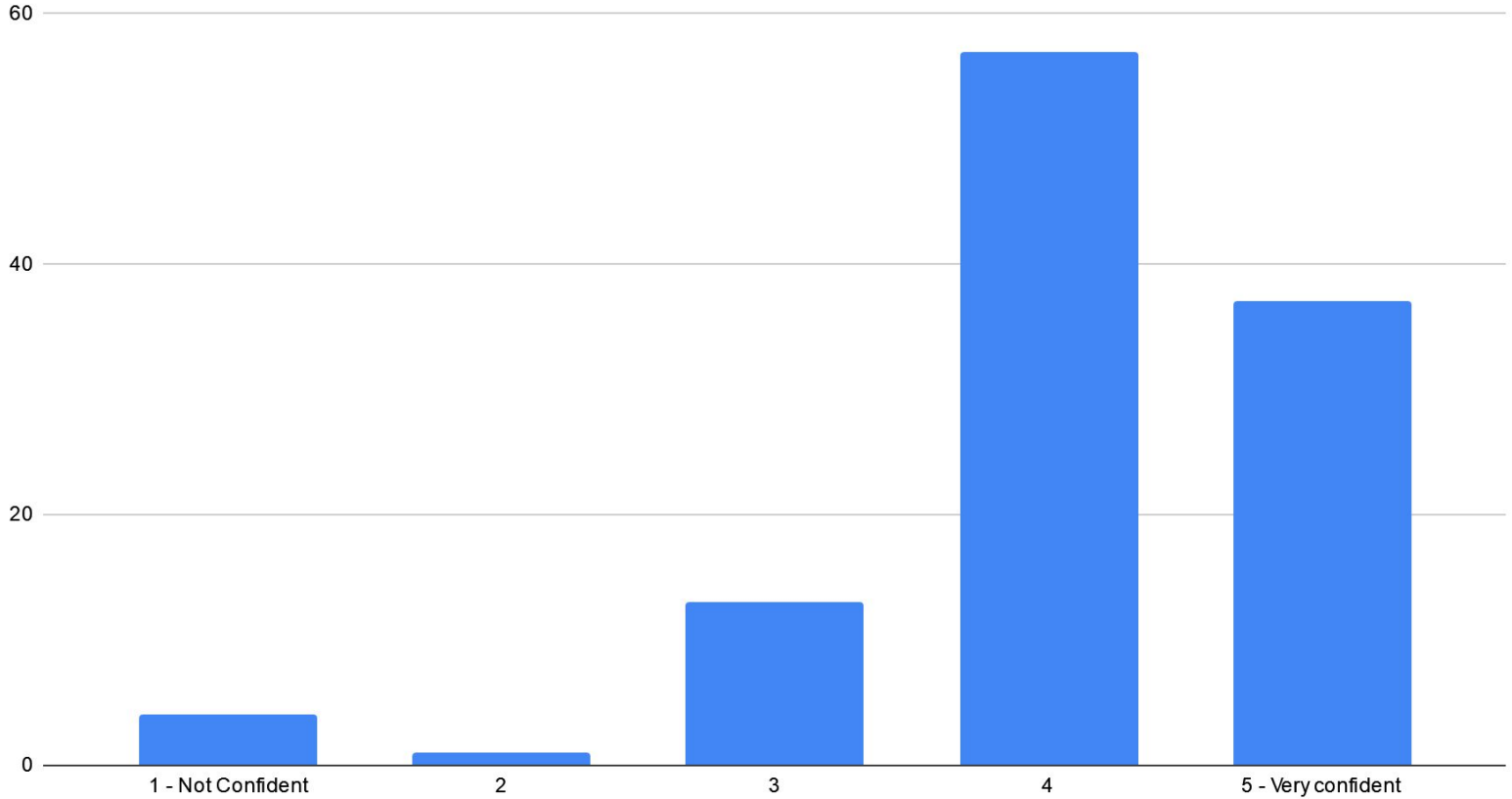
How confident are you that your operations are in compliance with their External (regulations, standards) and Internal (policies, permits, procedures,...) Obligations?



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Management systems

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Most organizations have some form of a compliance program in place.

Chinese companies rely much more on management systems than North American companies.

Technology for managing compliance is still not widespread in the industry, with nearly 50% of organizations still reliant on pen, paper, Word and Excel.

North American and European companies are mostly satisfied with their systems, whereas Chinese companies are less satisfied.

In terms of prioritization, risk ranking is popular across the board, but Chinese companies rely more heavily on potential fines and on government inspections.

It seems that many organizations are still audit driven - meaning they rely on external and internal audits to drive their compliance priorities, which is not ideal.

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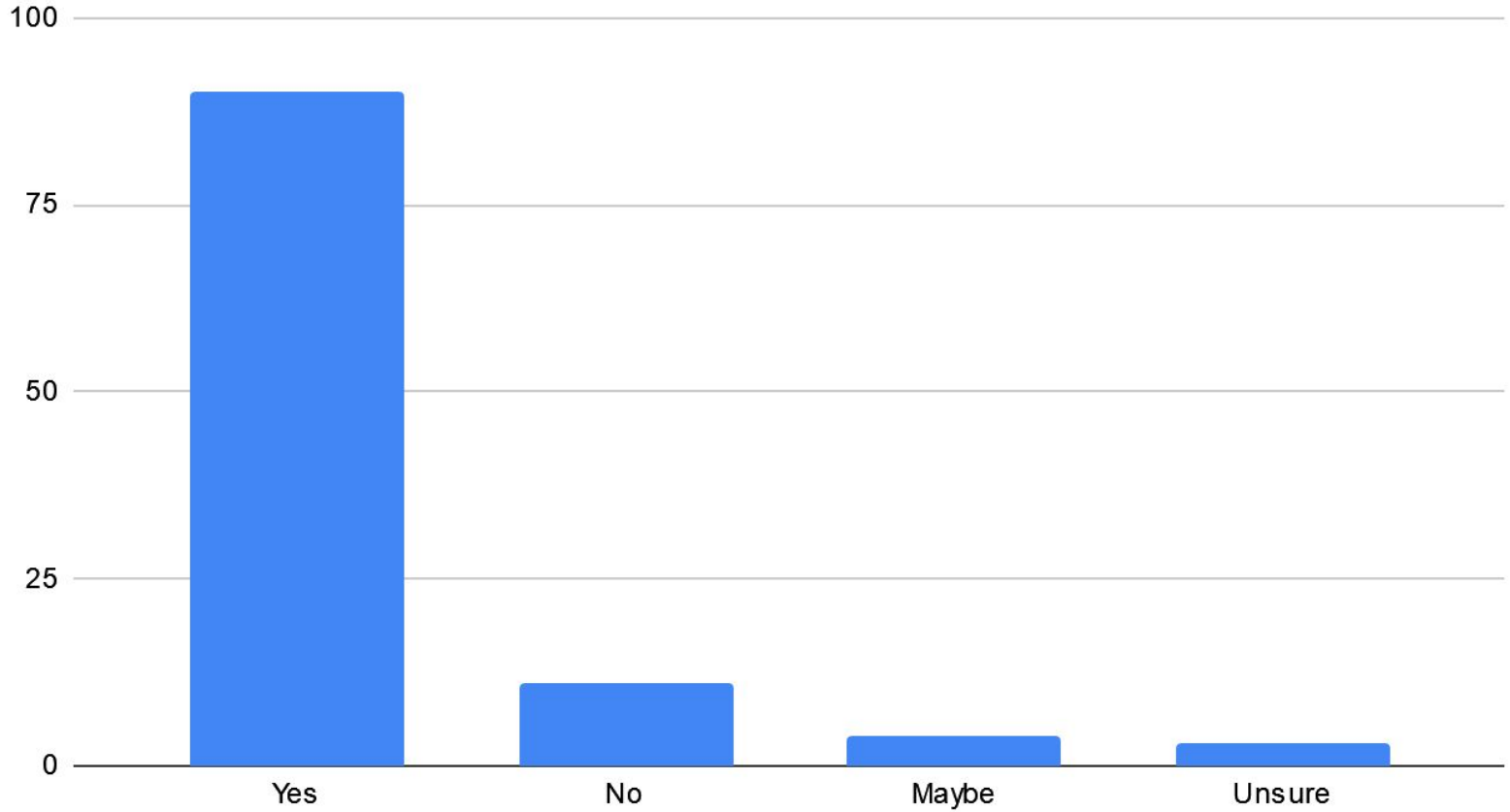
Do you have a compliance management system at your organization?



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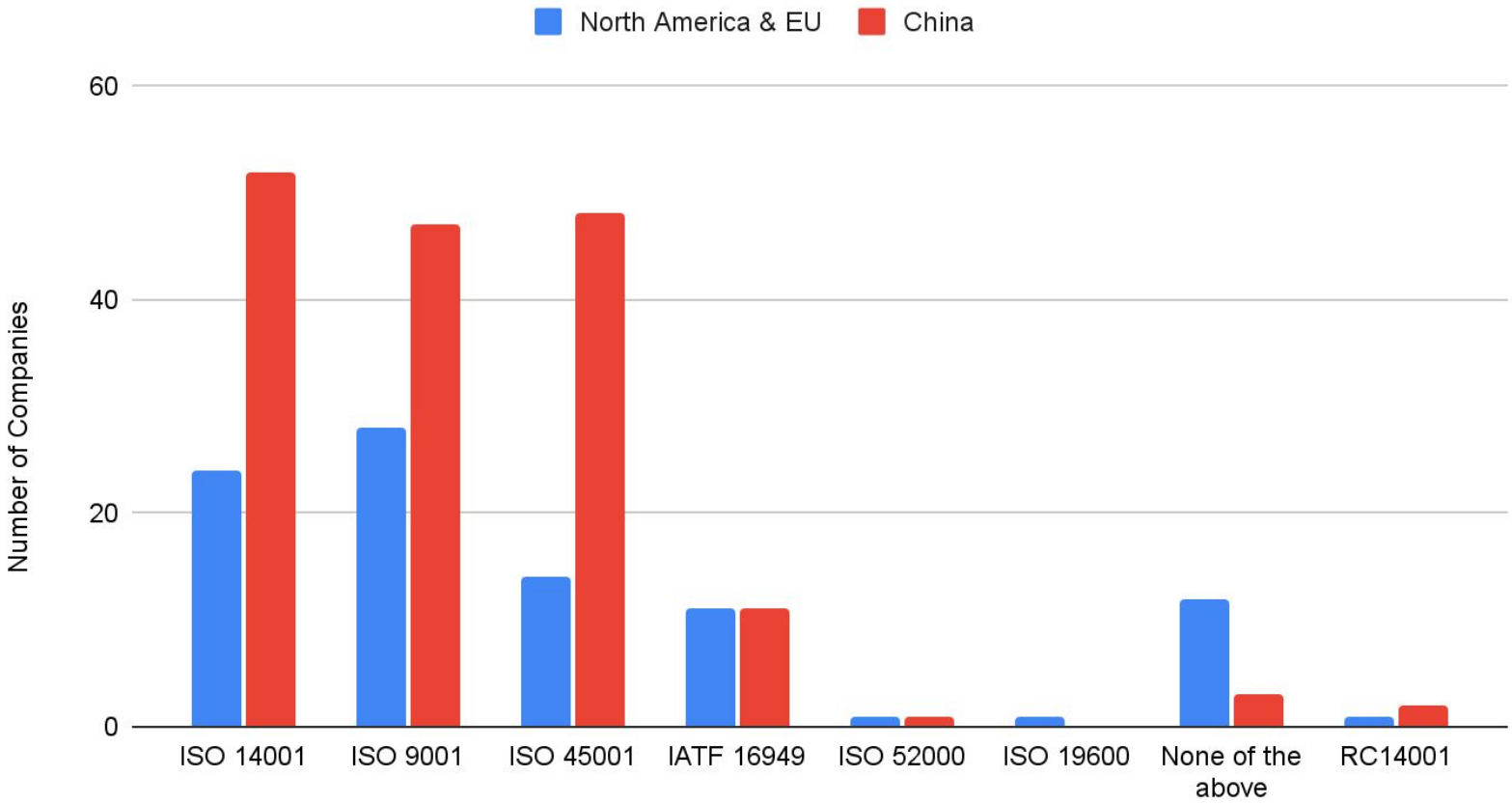
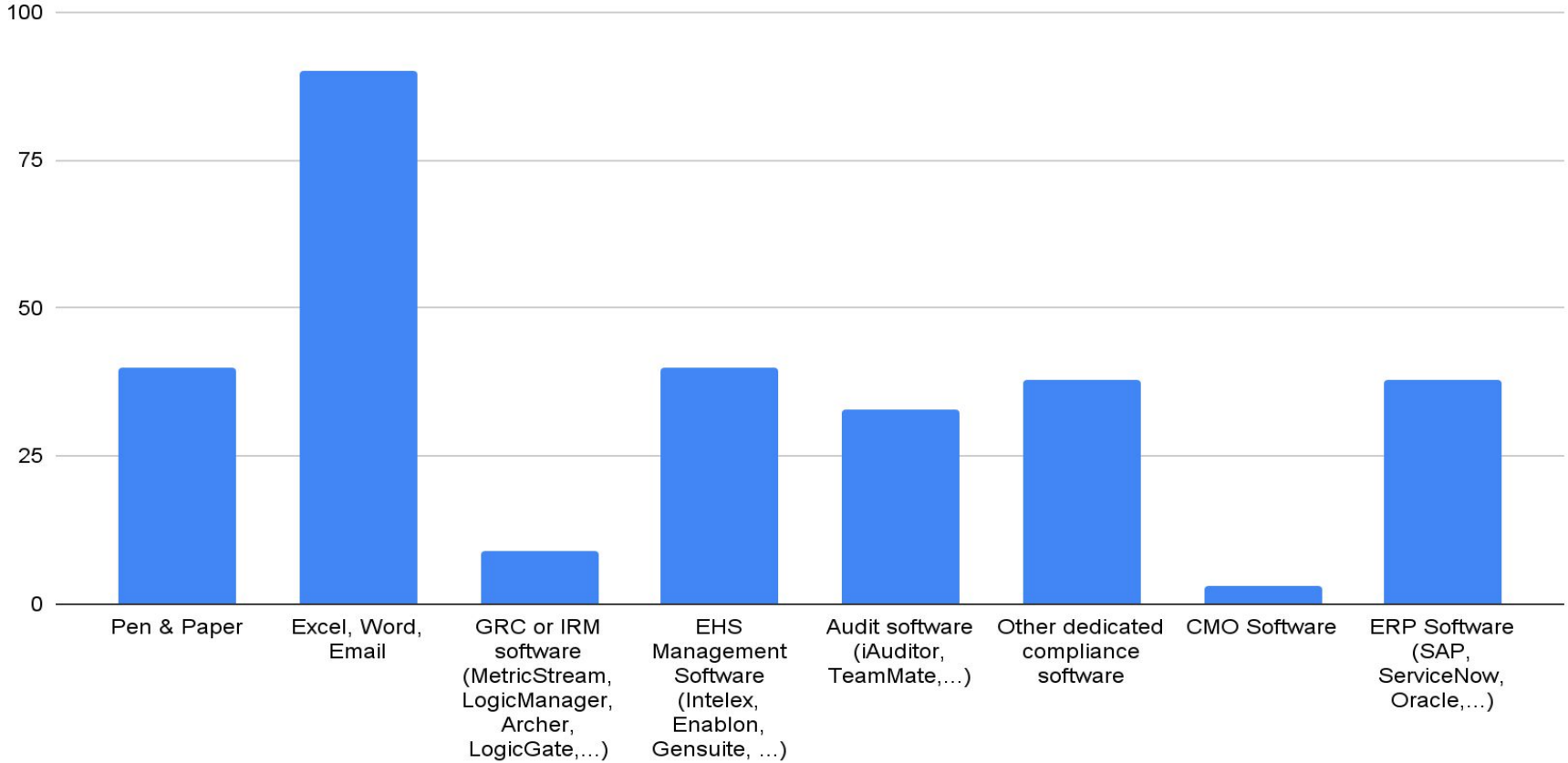
Are you certified or do you follow any of the following standards?



What type of software do you use to manage your compliance program?



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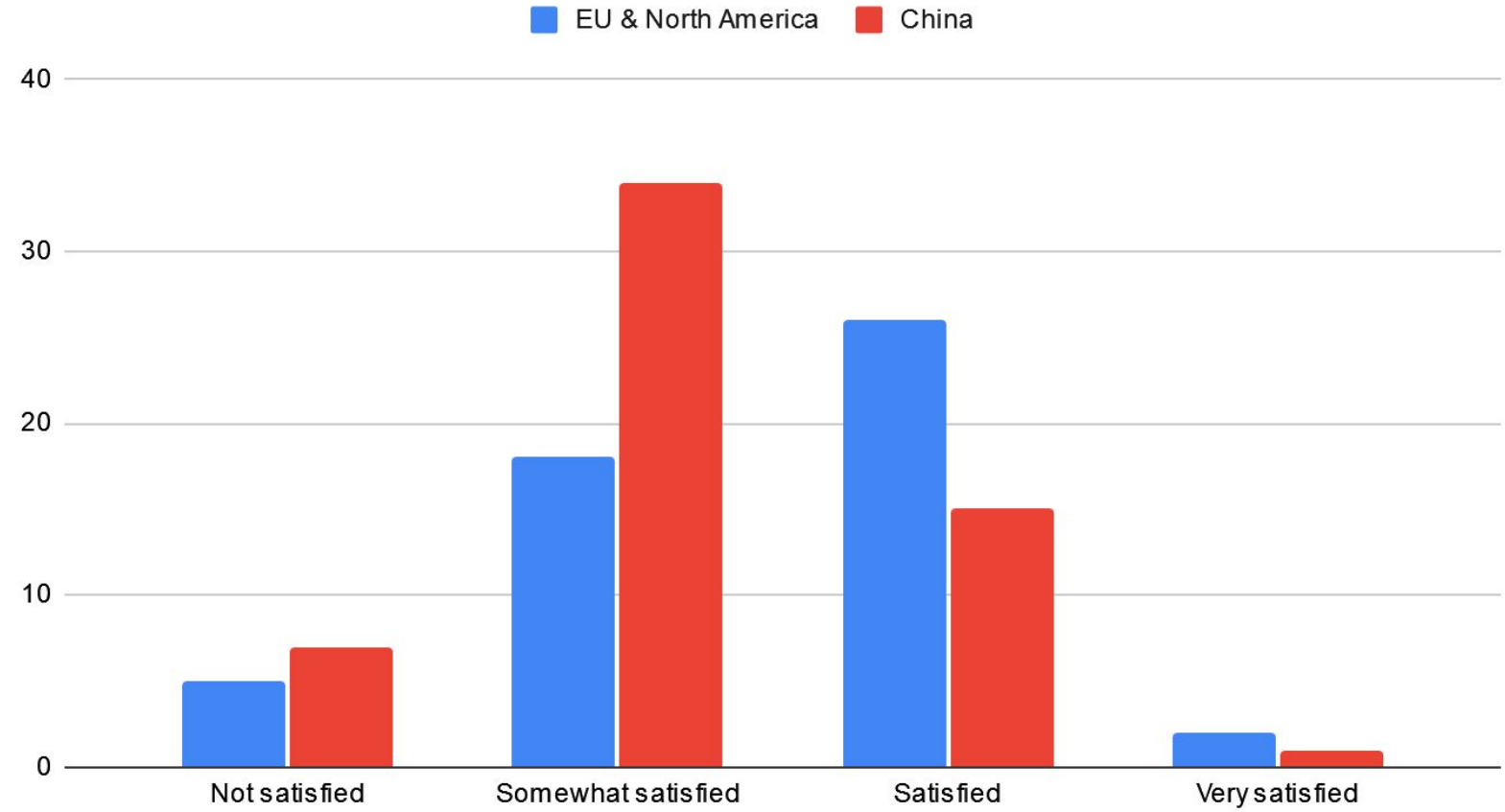
How satisfied are you with the technologies you have in place?



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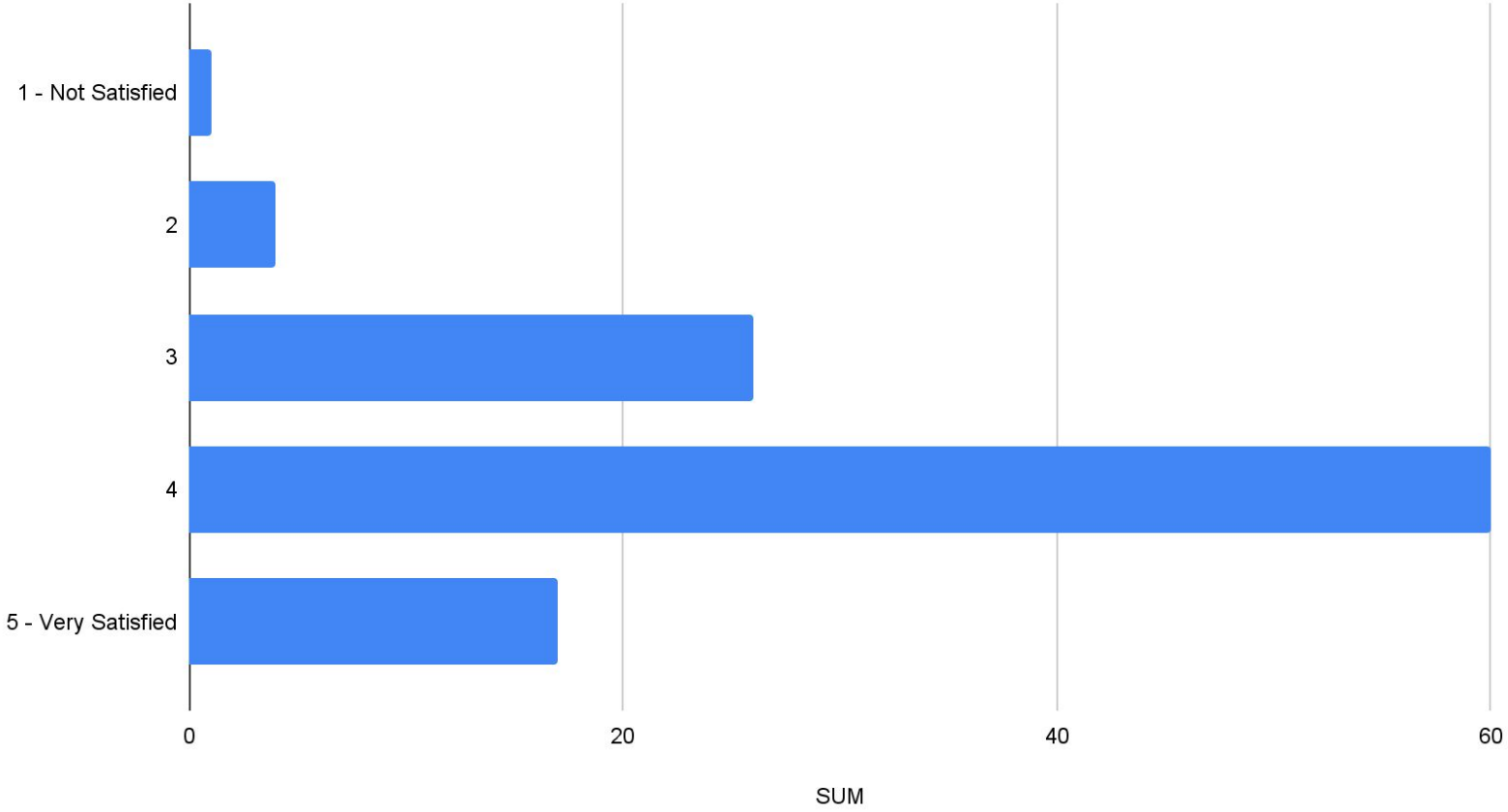
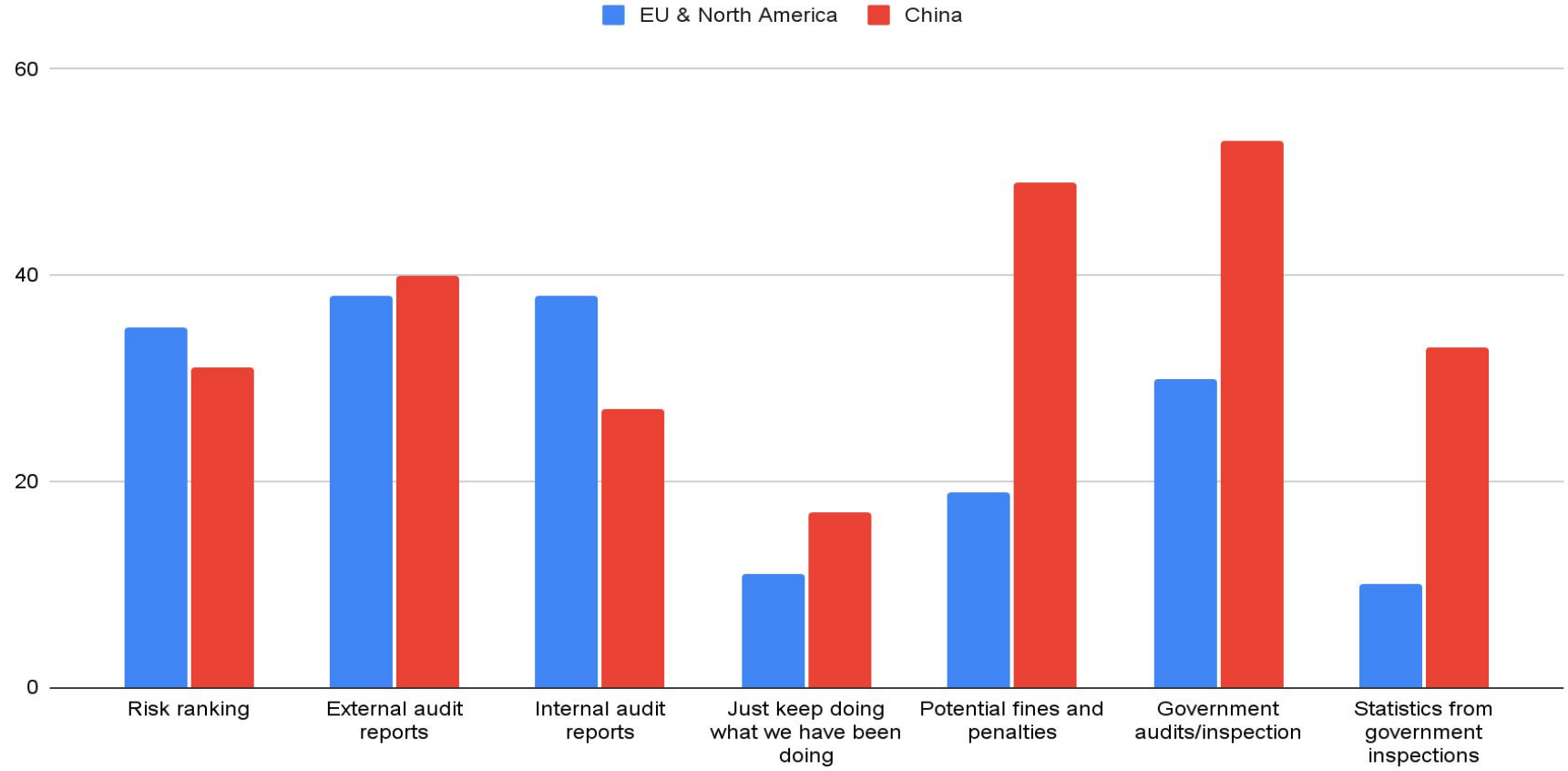
How satisfied are you with your current compliance program?



How do you prioritize your compliance initiatives?



Perception of compliance

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The survey participants indicated their companies are generally in favor of compliance programs and view proactive compliance as an investment. It is likely that the sample for this survey consisted of people and organizations who are further along in their organizational maturity.

Most participants felt that compliance is part of operational excellence, which is a good sign that more and more organizations are taking action on compliance programs.

Many organizations feel they still lack resources to tackle compliance; the shortage is particularly acute amongst Chinese companies.

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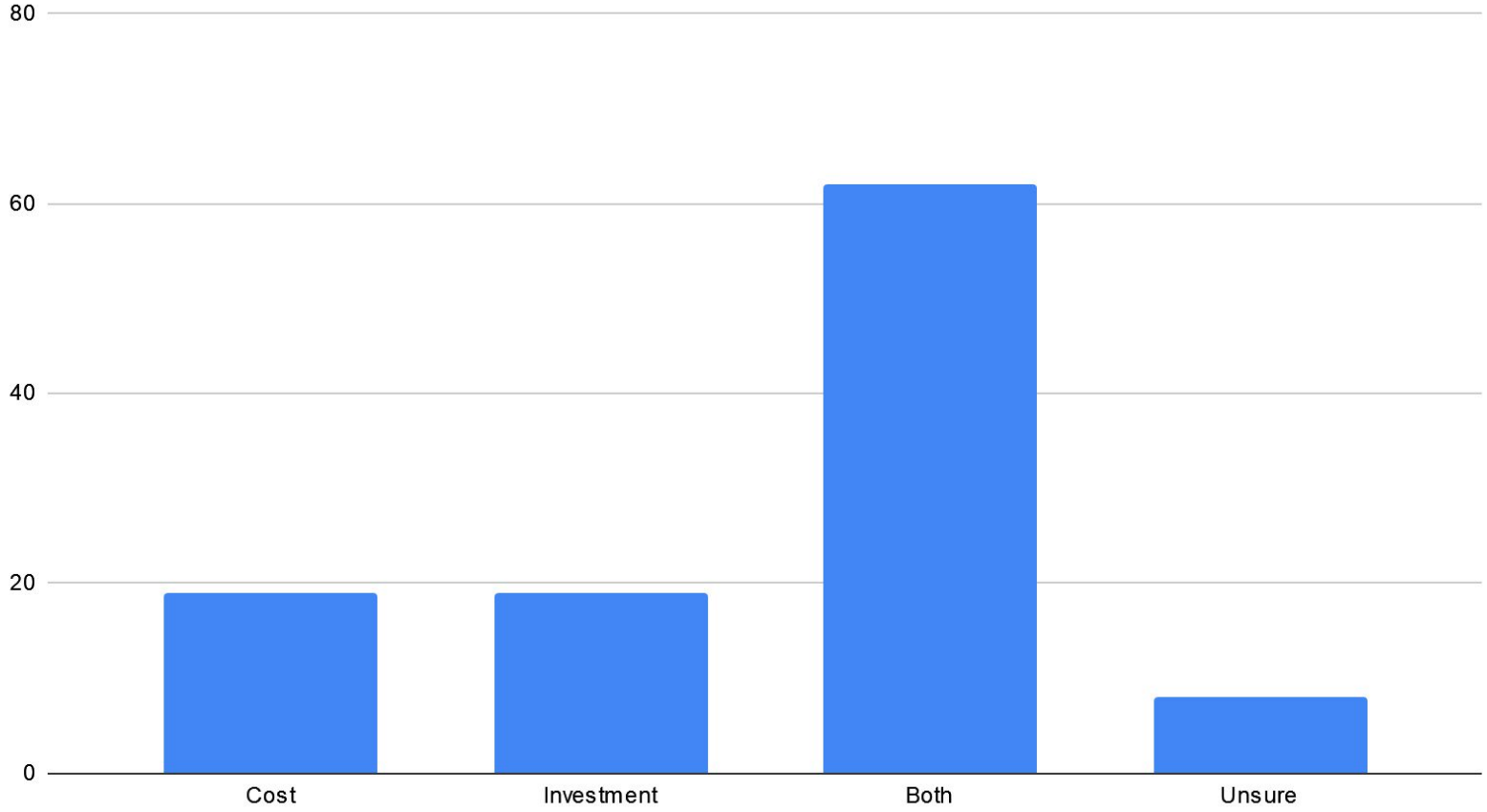
Is compliance viewed as a cost or an investment at your organization?



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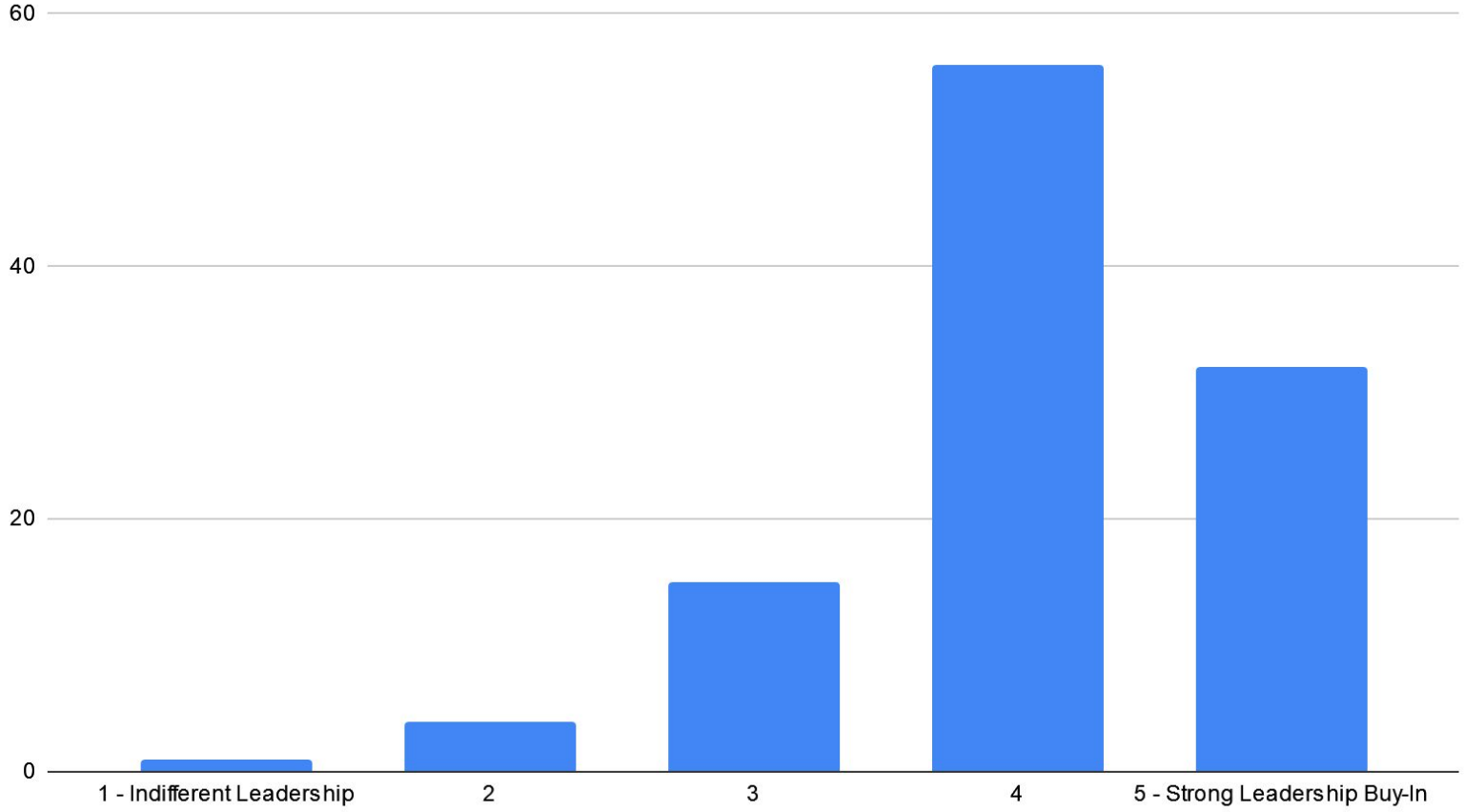
Leadership believes in the benefits of proactive compliance?



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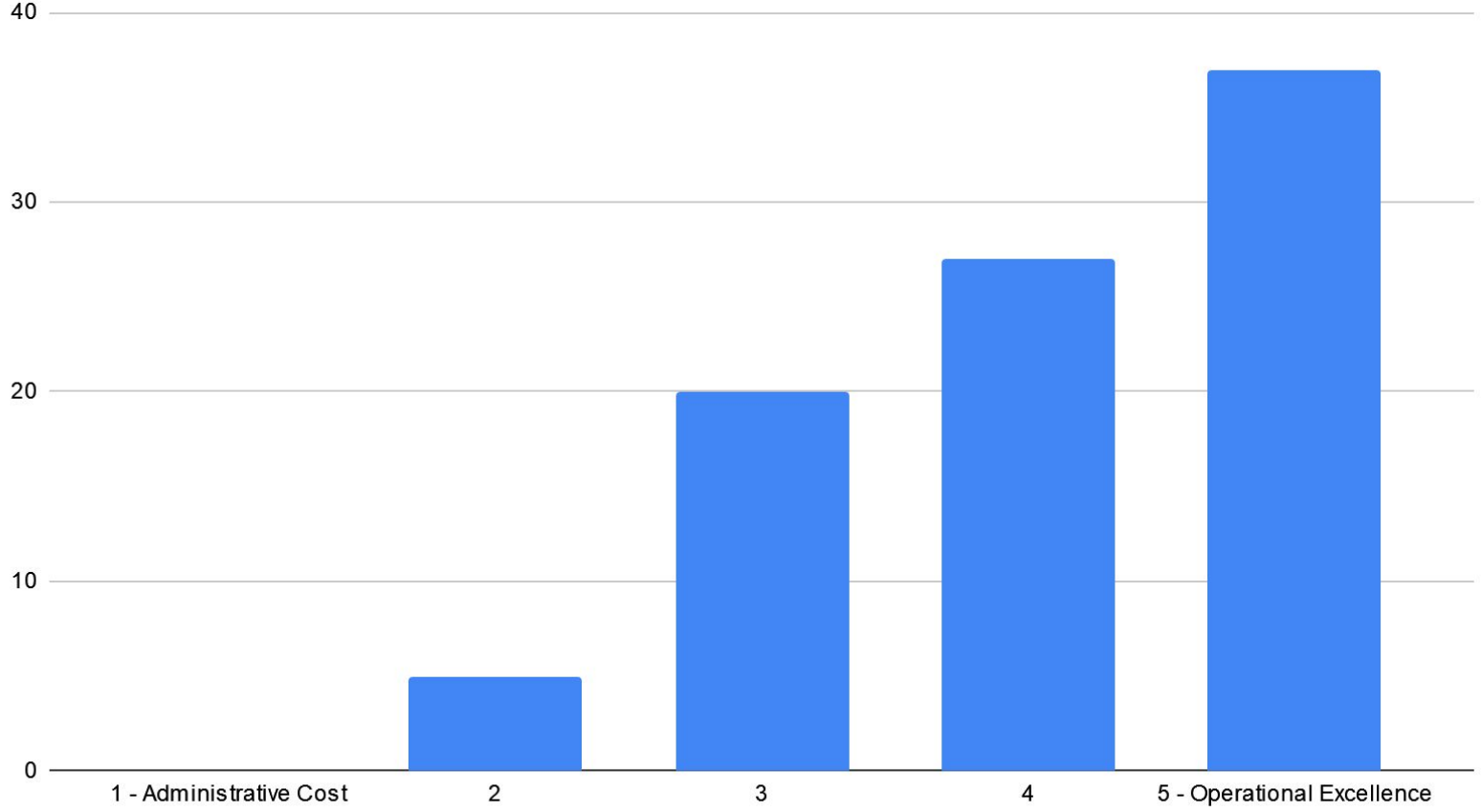
Is compliance viewed as part of operational excellence and continuous improvement?



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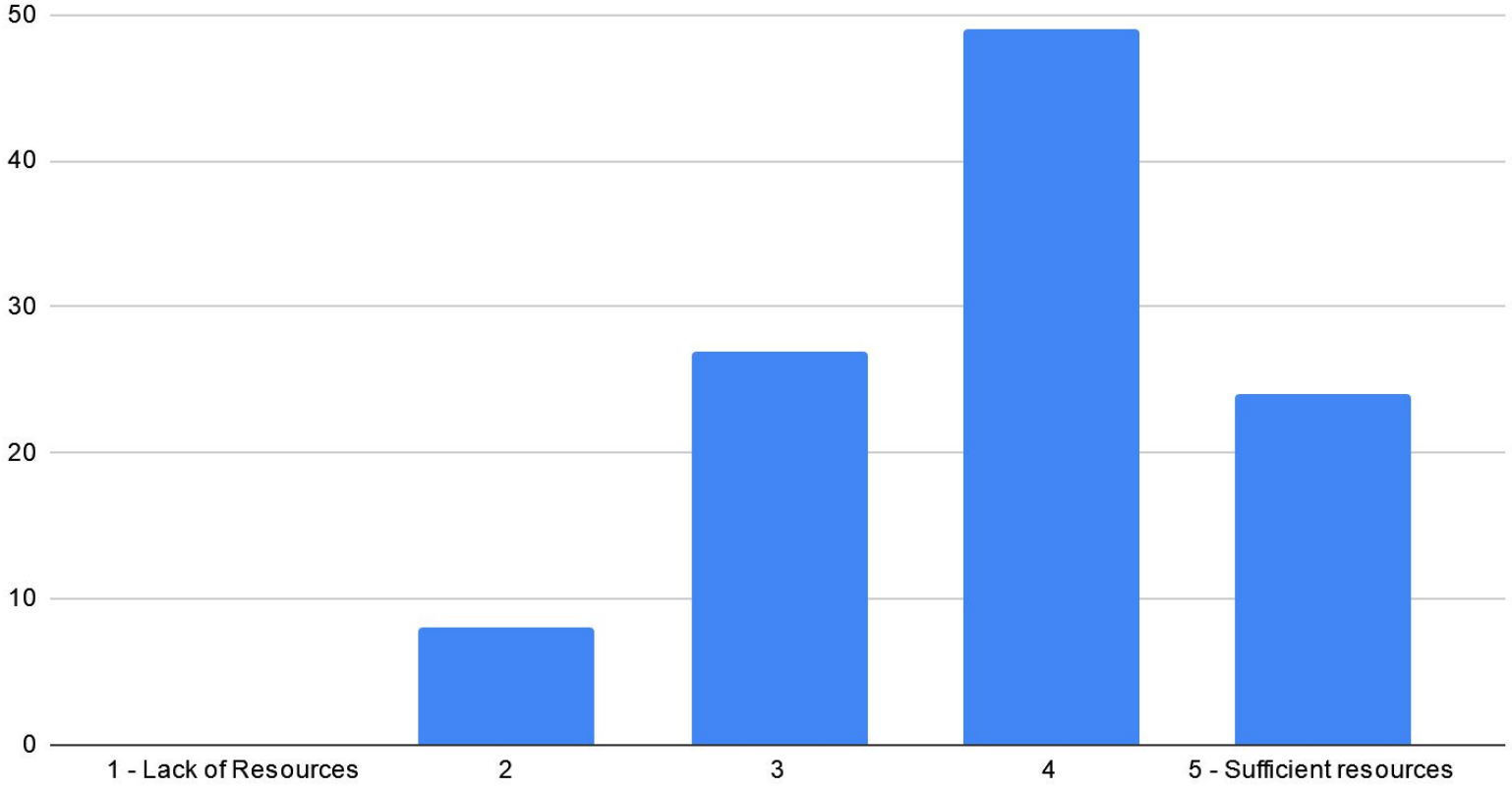
Managers and Directors are empowered with resources to proactively manage compliance?



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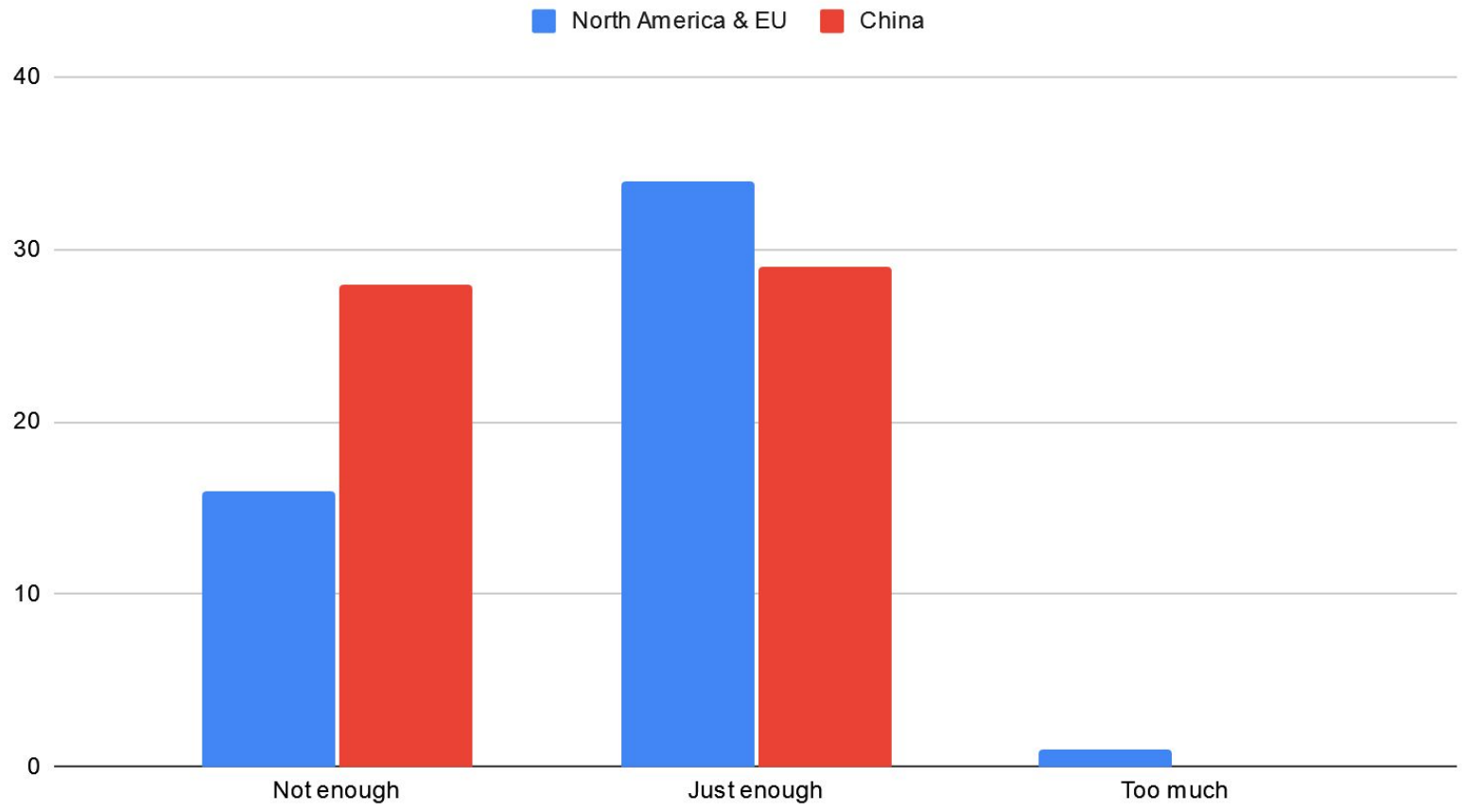
Do you have the staff to manage compliance effectively?



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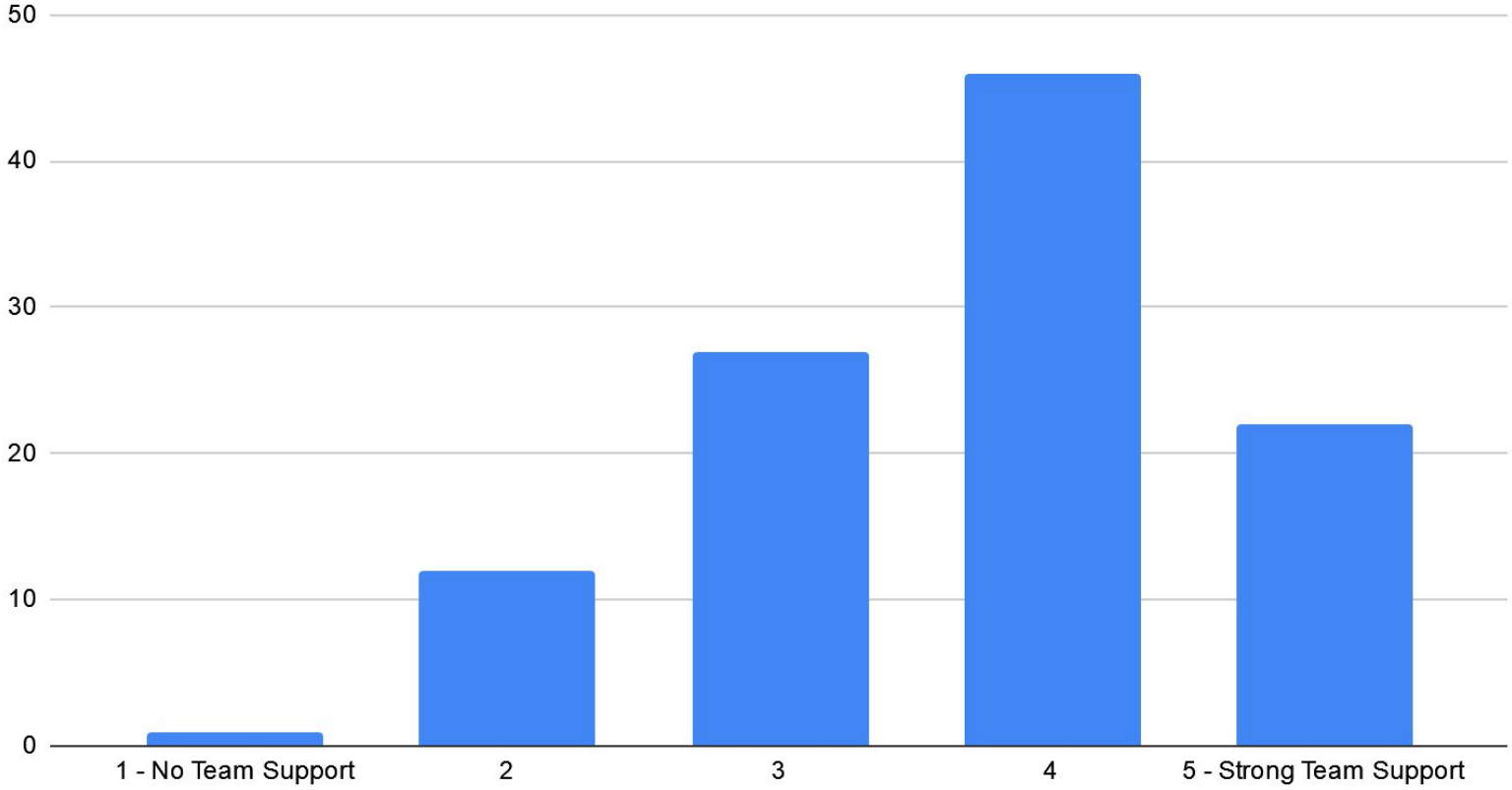
Departments have the teams and people to implement and operate compliance programs?



“Surprises”

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Nearly all participants indicated they had substantial compliance “Surprises” which indicates there is still room for improvement.

Some participants indicated they could not quantify the amount of time spent on unplanned events, but “it was a heck of a lot of time”. Time is money and as such, it is critical that organizations quantify time spent on unplanned events to help further justify investments in proactive compliance.

Organizations indicated that they could have avoided a substantial portion of these surprises with better systems and planning.

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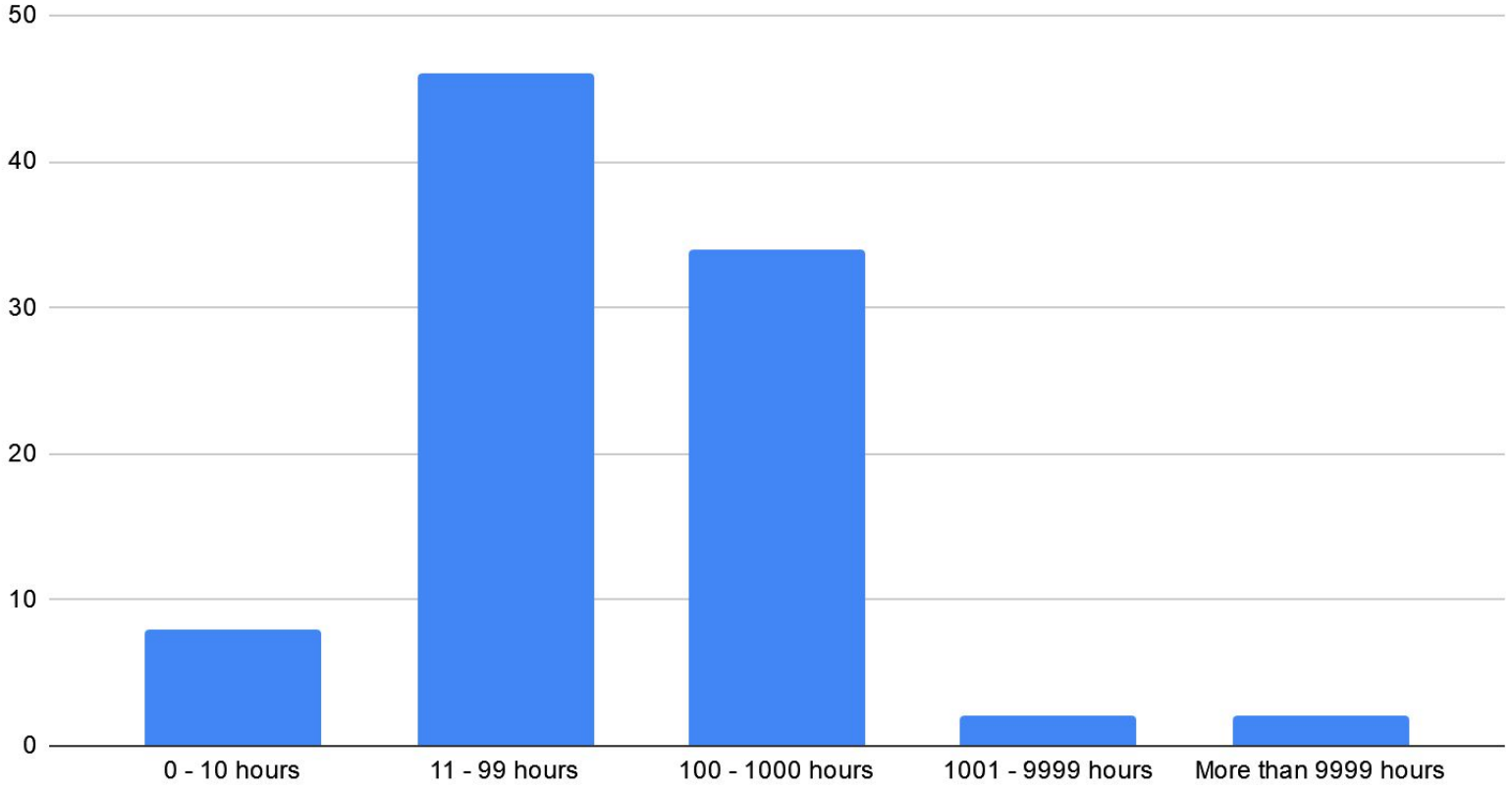
Approximately how much time was spent at your organization on "Surprises" or “unexpected compliance issues” in 2020?



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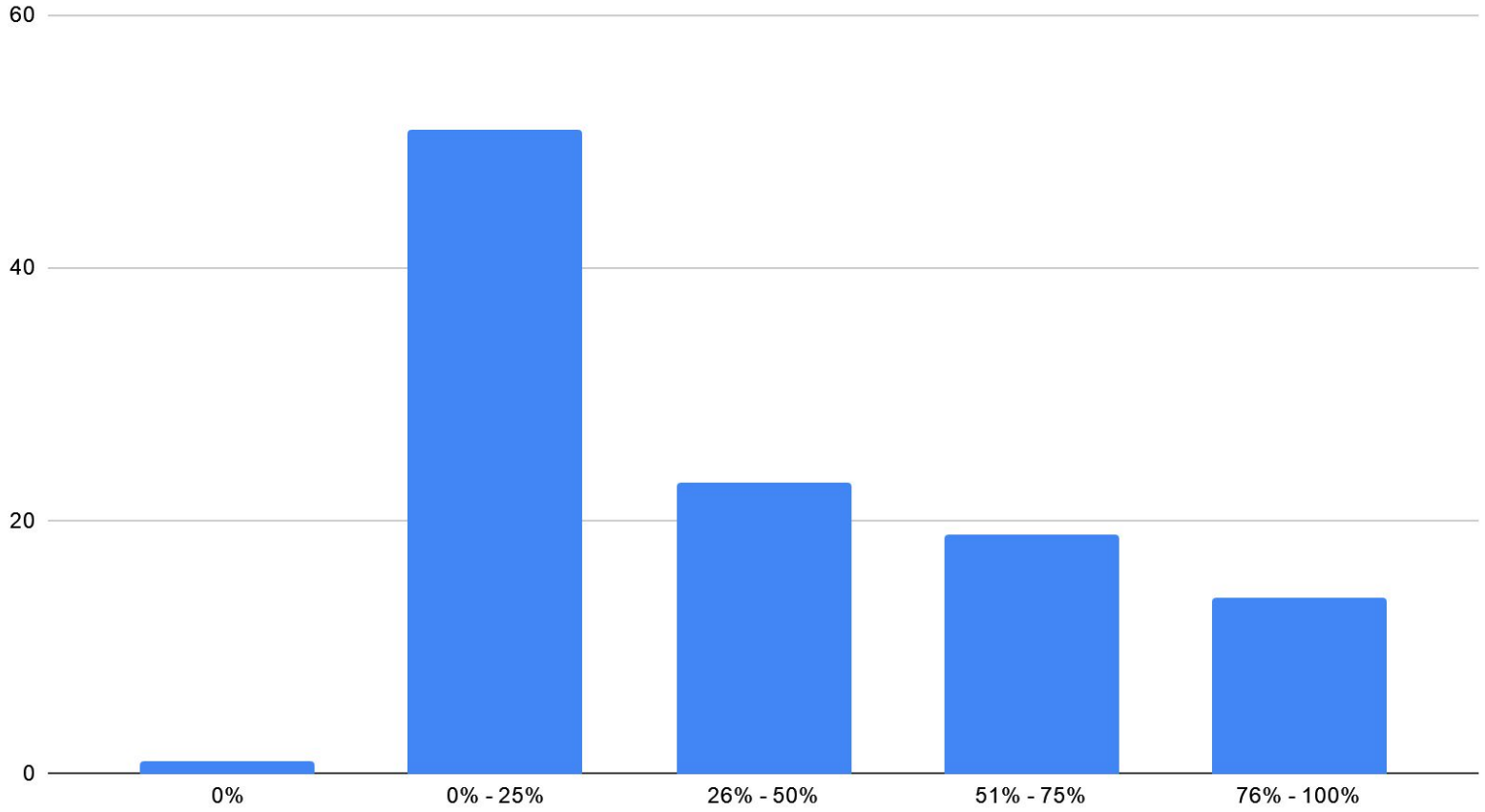
What % of these surprises could have been avoided with better readiness?



Emerging Trends

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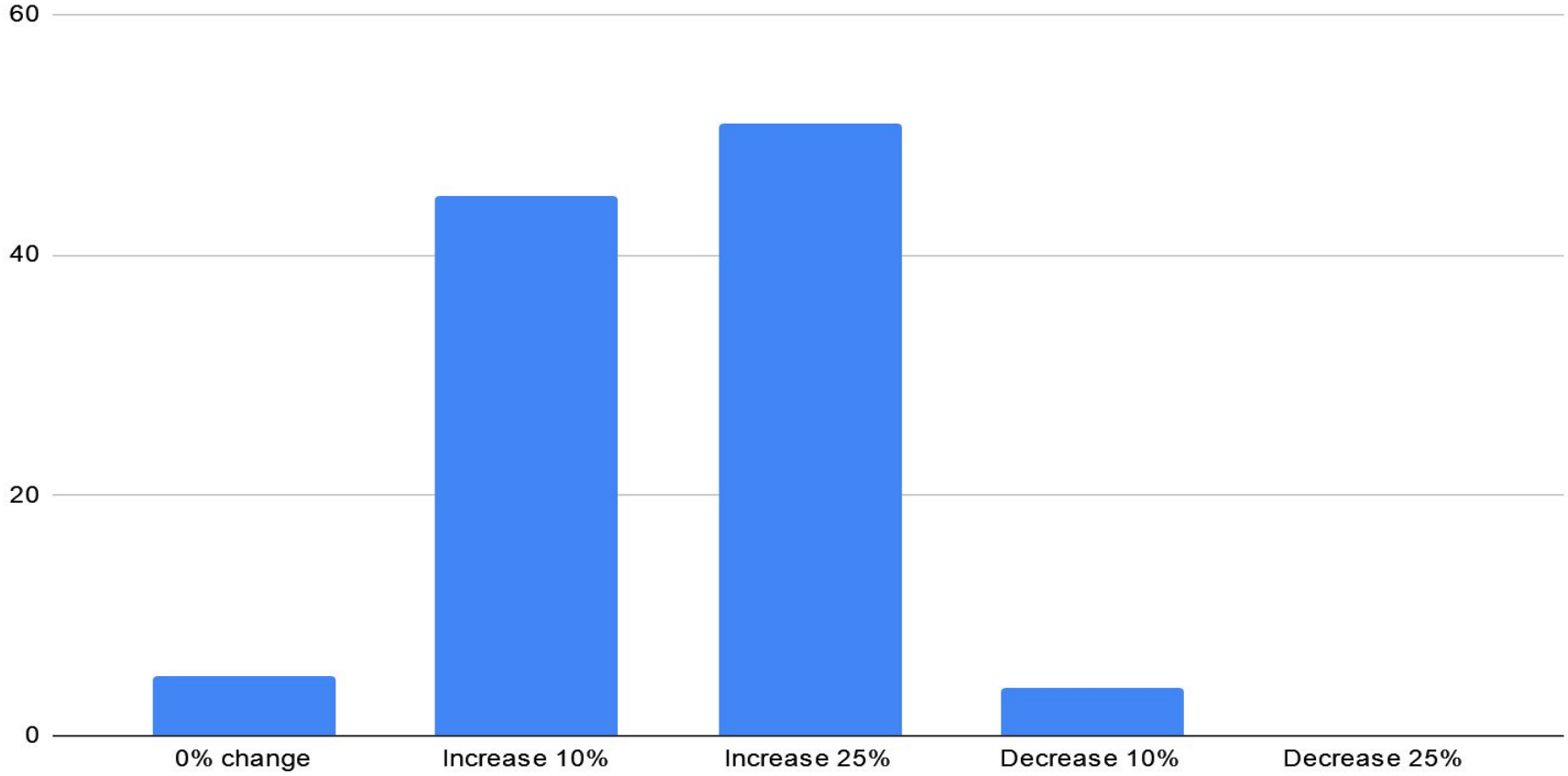
The vast majority of organizations see their regulatory and compliance burden increasing in the years to come.

Organizations feel they mostly have the tools in place to tackle this increasing work, but that they will continue to invest in programs, systems and software across their organization.

Environmental, Social and Governance (ESG) are becoming an increasingly important part of their compliance programs and many organizations plan to further integrate ESG with their compliance systems.

In the next 3 years, we anticipate our internal and external obligations will:



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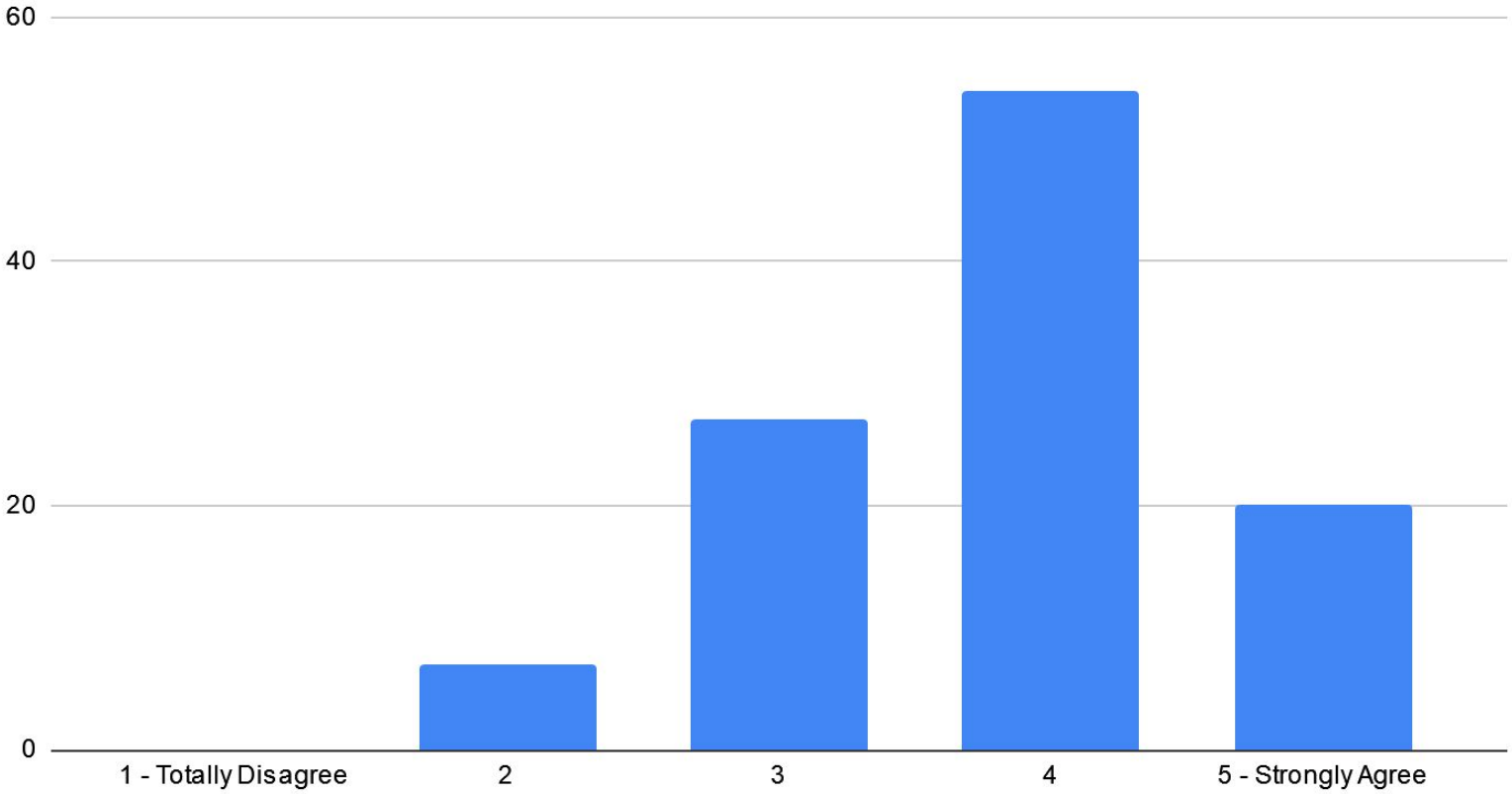
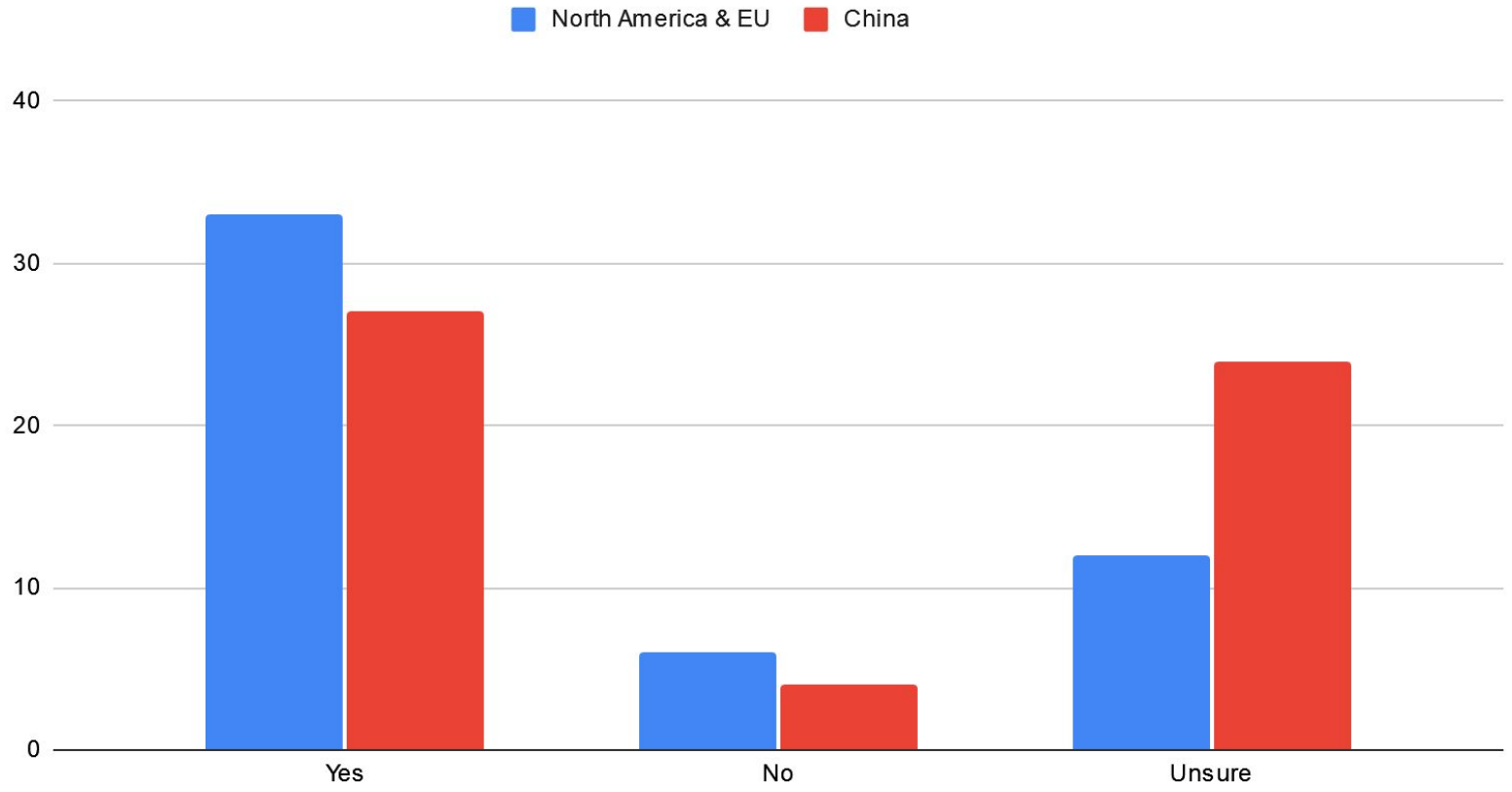
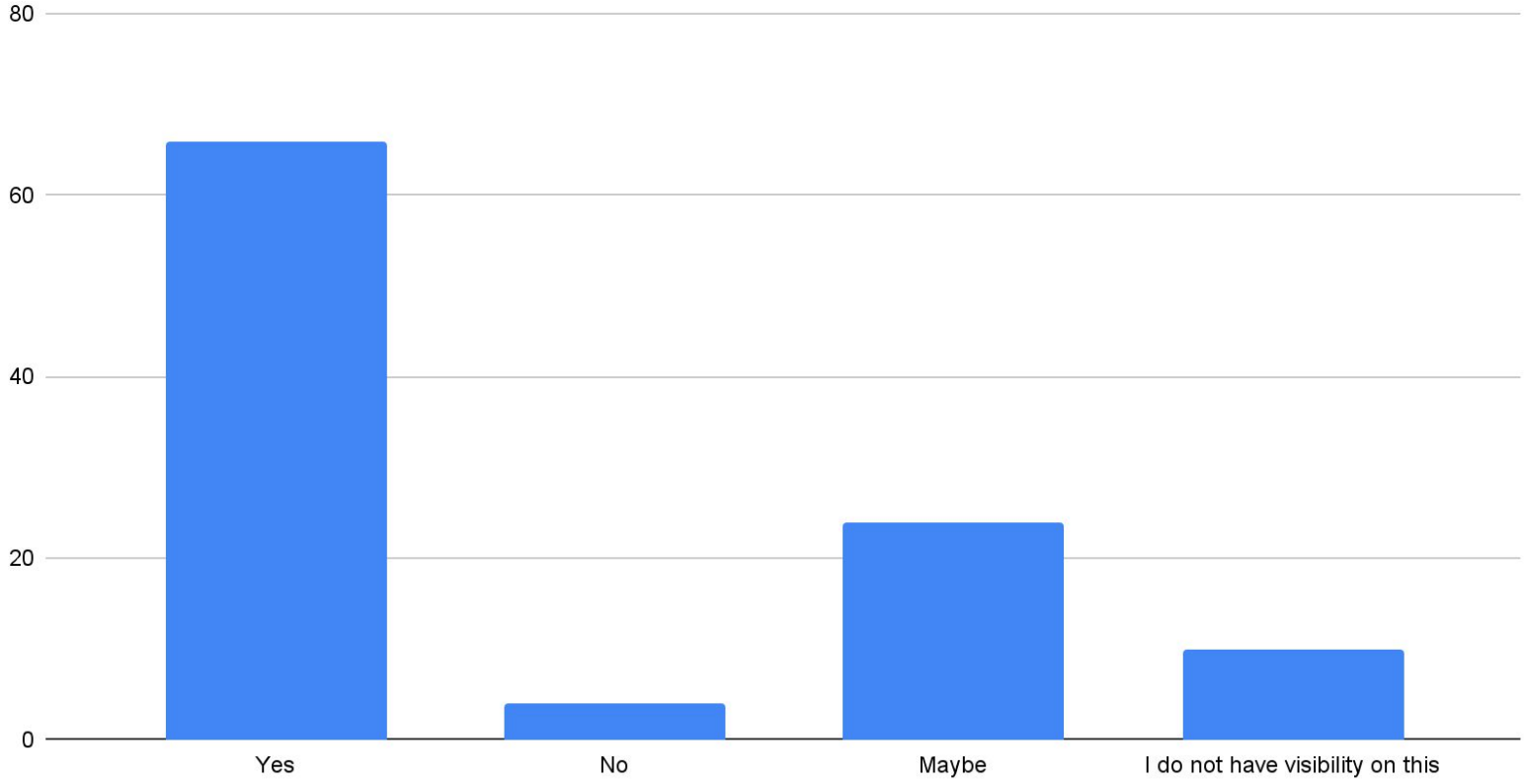
We believe that our current compliance systems and tools are capable of helping us meet our internal and external obligations in a continuous manner:



We are planning to improve our systems and tools to better manage obligations in the upcoming year



Are you planning to add Environmental, Social and Governance (ESG) elements to your compliance systems in the upcoming year?



Comments from compliance and risk professionals

At a high level, how is your compliance program structured?

The most thorough response we received was, “A systematic approach to building a compliance function allows you to structure and create an effective compliance function in an organization. In this case, the following questions are key:

- an approach to identifying compliance areas and a methodology for constructing a compliance function;
- structuring the compliance function (centralized and decentralized compliance function;
- separation of areas of responsibility with the function of risk management, internal control, internal audit);
- external assessment of the compliance function (who and for what evaluates the compliance function; what actions should be taken in the company in this regard).”

However, the majority of participants indicated that the compliance responsibilities remain highly decentralized and fragmented.

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Impacts of COVID on compliance functions

Various comments spoke about the challenge for resource allocation

“COVID was very influential, because the impact of a covid exposure in the workplace is very rapid and has a very high cost to the organization.”

“COVID has led to funding cuts for certain departments due to increased investment on PPE.”

“COVID reassured the company that all compliance processes are necessary.”

In general, most participants felt that COVID reinforced the importance of proactive compliance and the value of getting ahead of surprises.

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COVID and the perception of compliance

Various comments spoke about the change in perception

“I personally think COVID has raised awareness to the importance of compliance. Employees are more conscious of safety and health risks associated with non-compliance.”

It also pushed organizations to go digital faster: “COVID forced us to move from paper based to electronic paperless system.”

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General thoughts on compliance?

Various comments spoke about the needs to better centralize and organize compliance data and for management to lead the effort

“A holistic system where you can manage all of your compliance needs would be beneficial in the industry. We currently need numerous systems to track the data related to HSE management.”

“Top level management involvement cardinal for any compliance system to succeed.”

“It requires an enterprise-wide commitment for all levels of the organization.”

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Emerging trends

Participants spoke about increasing burden from their customers and investors. Nearly everyone anticipates greater regulation across the board.

“"Obligations" in the form of customer demand: we expect more sustainability demands over and above regulatory obligations from customers.”

“ESG will take on a greater and greater role”

“We anticipate a significant increase in both state and federal regulations”

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Nimonik offers a framework and solutions for management of obligations

Successful Compliance Programs

Successful compliance programs require three key elements:

- Centrally managed compliance
- Software solution
- Integrated Compliance approach

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Compliance Maturity

Focus on putting out fires

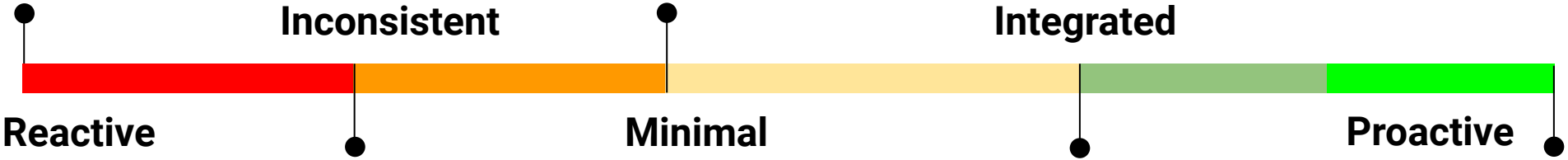
Organization reacts to EHS, Quality and Compliance issues as they arise. People and teams respond only when there is an immediate problem.

Supervisor led

Systems are in place and training is mandated. Most of the issues are pushed by supervisors and reports identify problematic areas. General staff do not feel a strong responsibility for compliance.

Forward thinking

Meet with stakeholders and regulators. Conduct continuous improvement of compliance program.



Piecemeal approach

Some processes and systems are in place. Most facilities or business units are independent and do not share best practices or systems.

Team based compliance

All members of the organization believe that compliance to standards and regulations is good business. Strong comprehension by all of policies and procedures. Easy access to data and software that empower teams.

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Most organisations do not know all of their obligations, leading to “surprises”...

A typical Facility has **3,000 Compliance Obligations and 200 new ones per year.**

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When do you discover surprises?

Solve early!

Adjust plans well before you invest money and time!

Repurchase materials and support

Even higher cost to purchase new materials and make changes to equipment and systems.

Ouch!

Rework projects, materials and people. Major cost overruns and lost revenues.

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Successful Compliance Programs

A key factor for success is a ‘Integrated Compliance’ approach

Centrally managed Compliance

Software solution

Integrated Compliance approach

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Modern organizations eliminate surprises with **Integrated Compliance Program**

An integrated Compliance program captures all of your **Obligations** across your areas of compliance:

Quality, environmental, safety, HR, OHS, product...

...and Sources:

Regulatory, standards, contracts, permits, stakeholders, customers,...

...and enables timely management of **Actions** and **Audits**.

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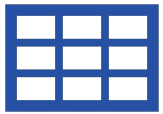
Path to Resilience

01

Integrated Obligations

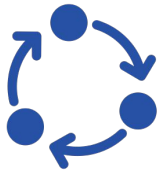
- 360° Coverage
- Mandatory and Voluntary
- Obligations Mapping



02

Integrated Assurance

- Always Audit Ready
- Integrated Audit and Inspection
- Performance Assessments



03

Business Outcomes

- Increased Trust
- Reduced Risk
- Fewer Surprises

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Traditional Compliance Approaches

In-house	Consultants	Software + content + consultants
- Inconsistency - Loss of institutional knowledge - Time consuming	- Compliance gaps - Variability in work - Expensive	- Integration is complex - Expensive to build & maintain

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Nimonik Solution Architecture

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Obligations | Actions | Audits

Document Level Compliance Obligations

400,000 Laws, Regulations and Standards

Your internal documents

Clause Level Compliance Obligations

150,000 specific Obligations

Extracted obligations from your documents

Actions Dashboard

Actions when obligations change

Actions you create

Actions from your documents

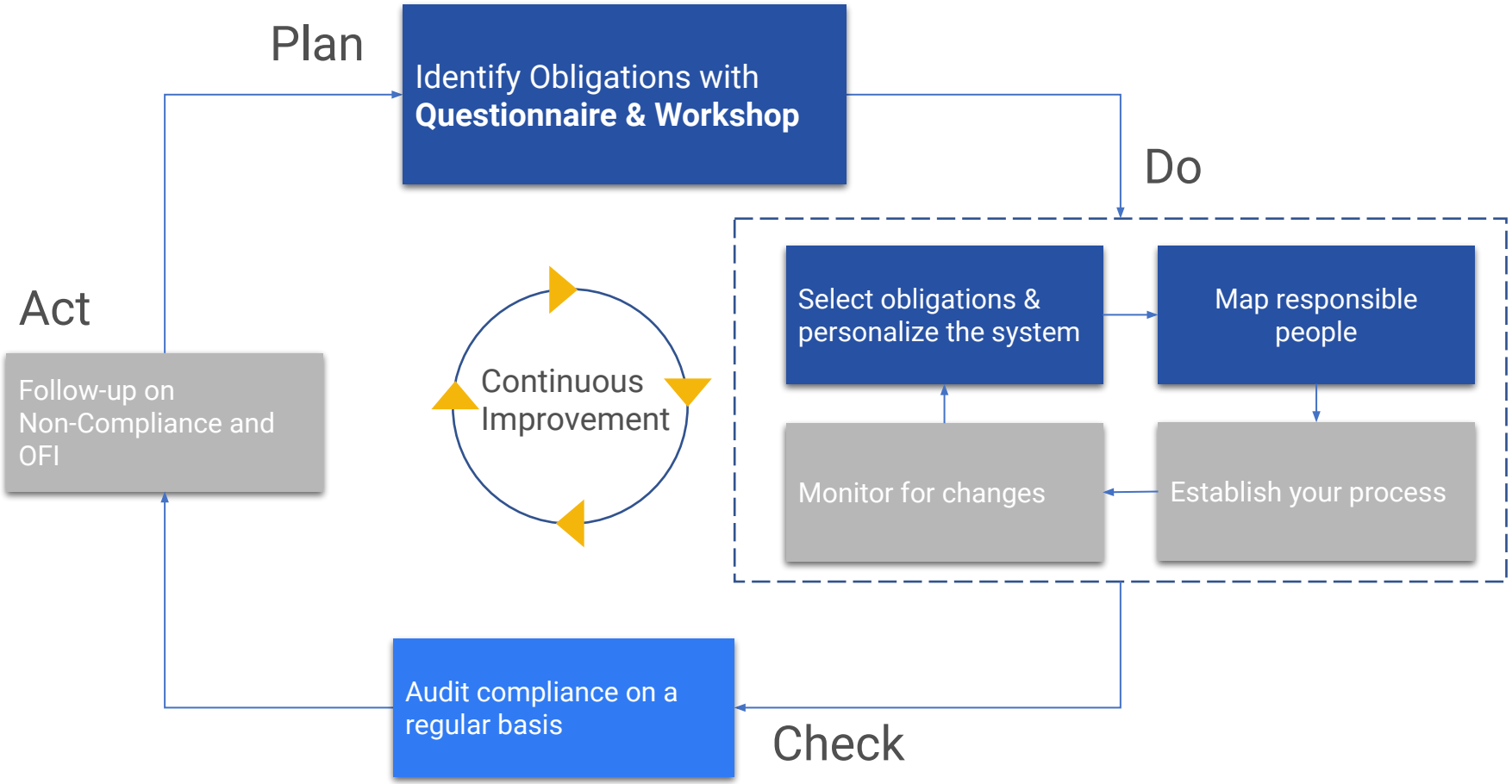
Web & Mobile Audits

Inspect & collect evidence

Actions taken?

Actions effective?

Continuous Integrated Compliance - Nimonik Implementation



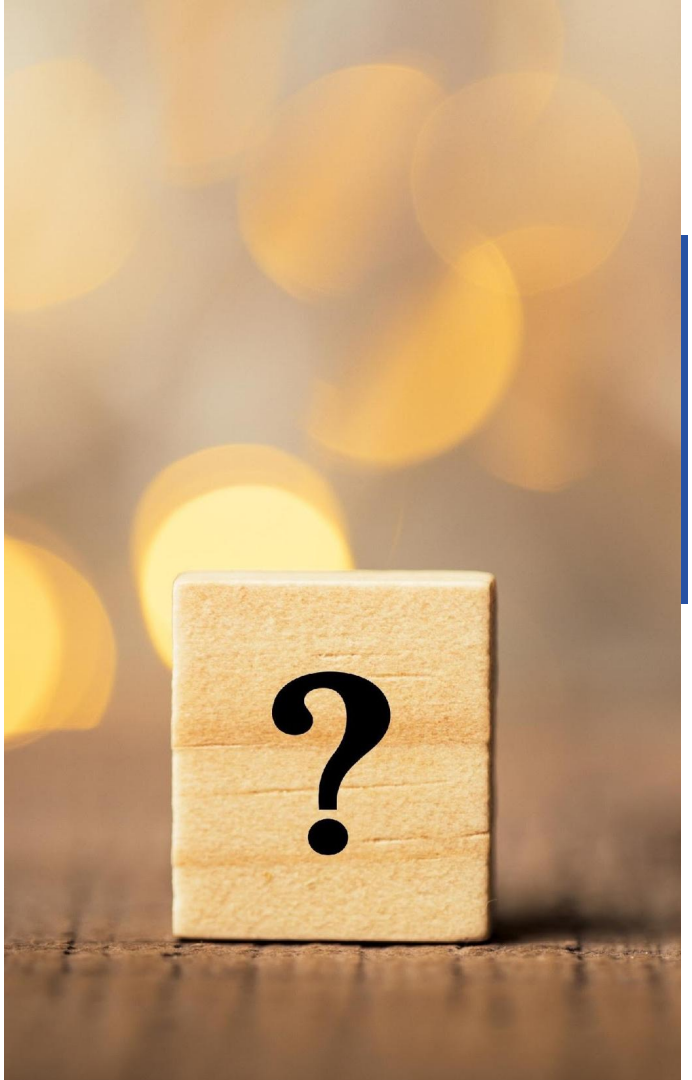
Four Key Benefits of Compliance with Nimonik

Create essential compliance records to prove Due Care Process

Rapidly report to management and colleagues

Centralize your internal & external compliance obligations and personalize the system

Facilitate collaboration across the business



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Nimonik can help you achieve
Integrated Compliance Management for Internal and External obligations.

Book a free consultation

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