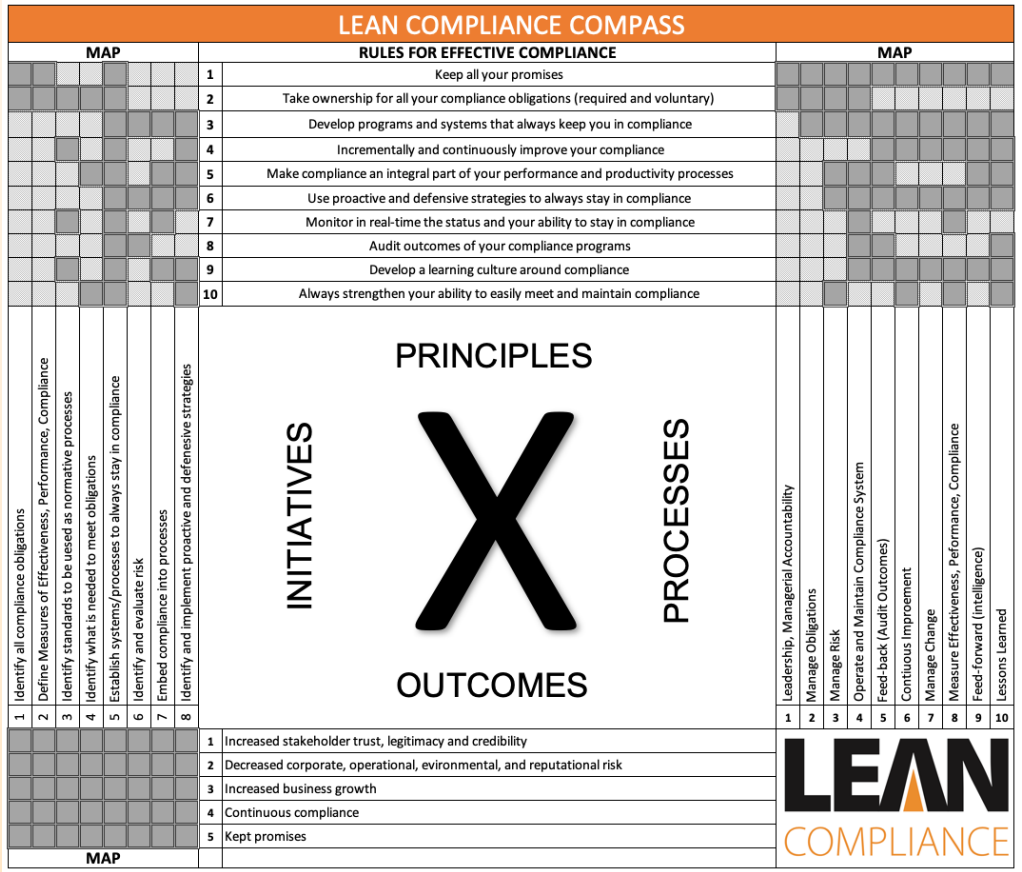
10 Rules for Effective Compliance



An antidote to the vicious non-conformance cycle

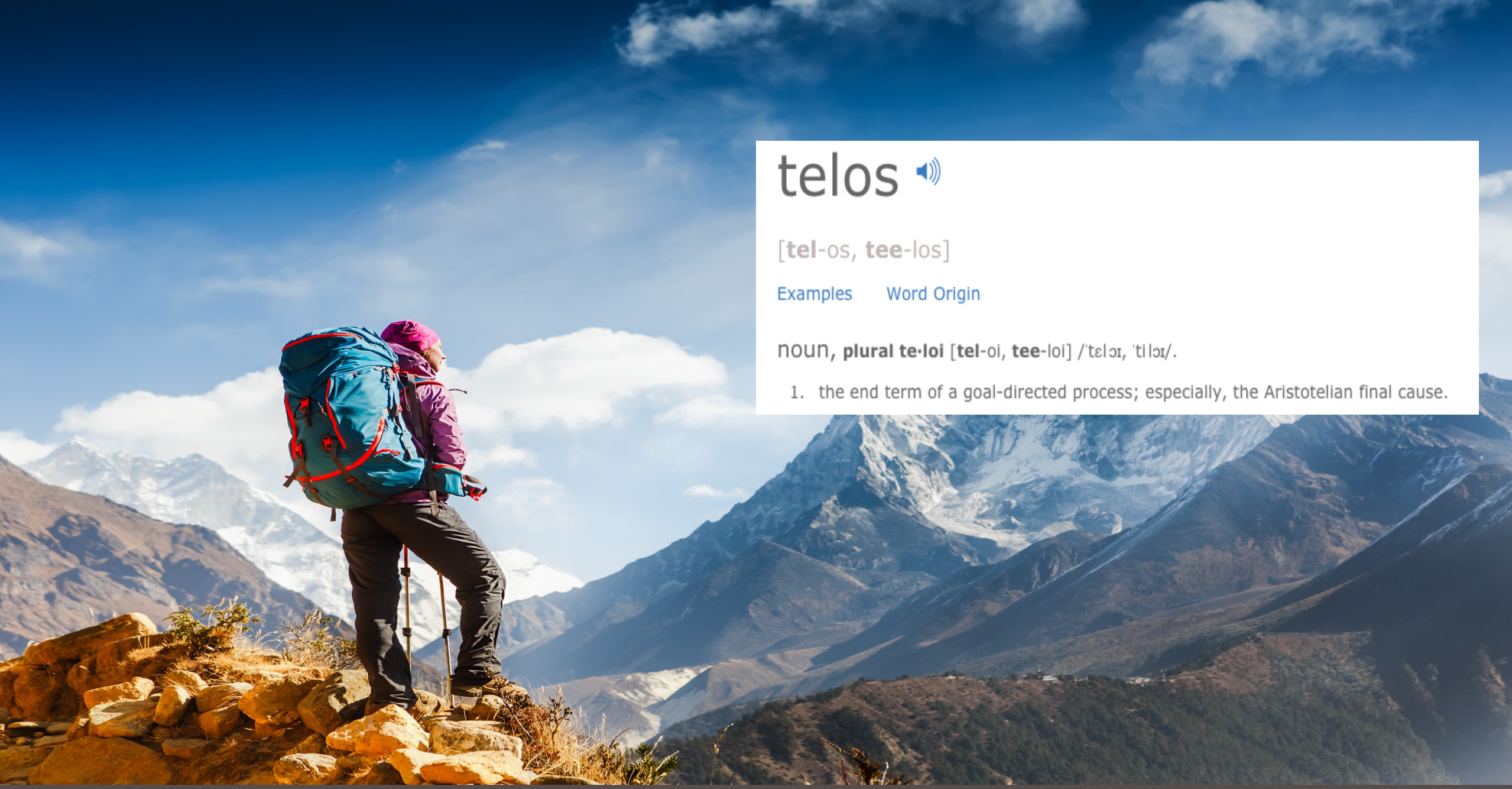
LEAN COMPLIANCE

Helping you meet all your obligations

Raimund Laqua, PMP, P.Eng.
Founder,
Chief Compliance Engineer
www.leancompliance.ca



OUTLINE



telos

[**tel**-os, **tee**-los]

Examples Word Origin

noun, **plural te·loi** [**tel**-oi, **tee**-loi] /ˈtɛlɔɪ, ˈtiˌlɔɪ/.

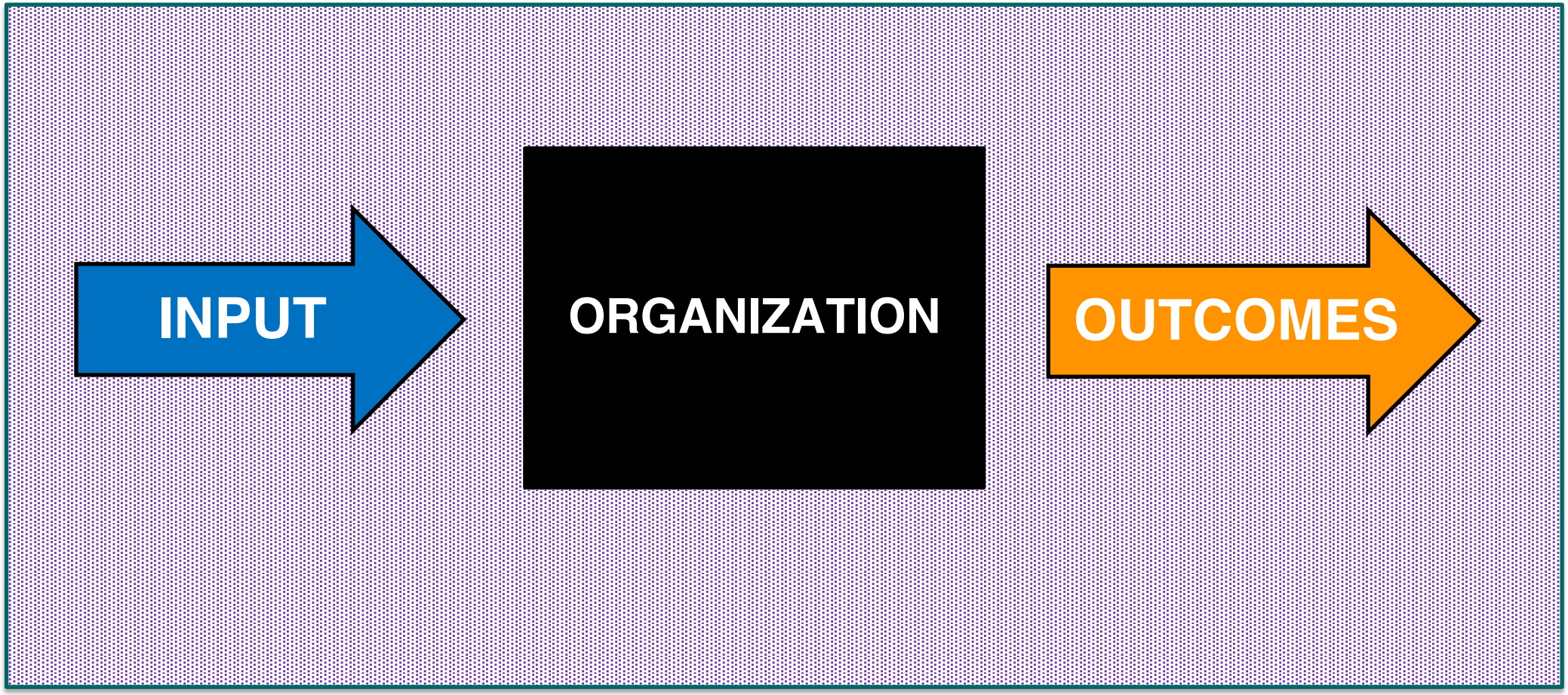
1. the end term of a goal-directed process; especially, the Aristotelian final cause.

OUTLINE

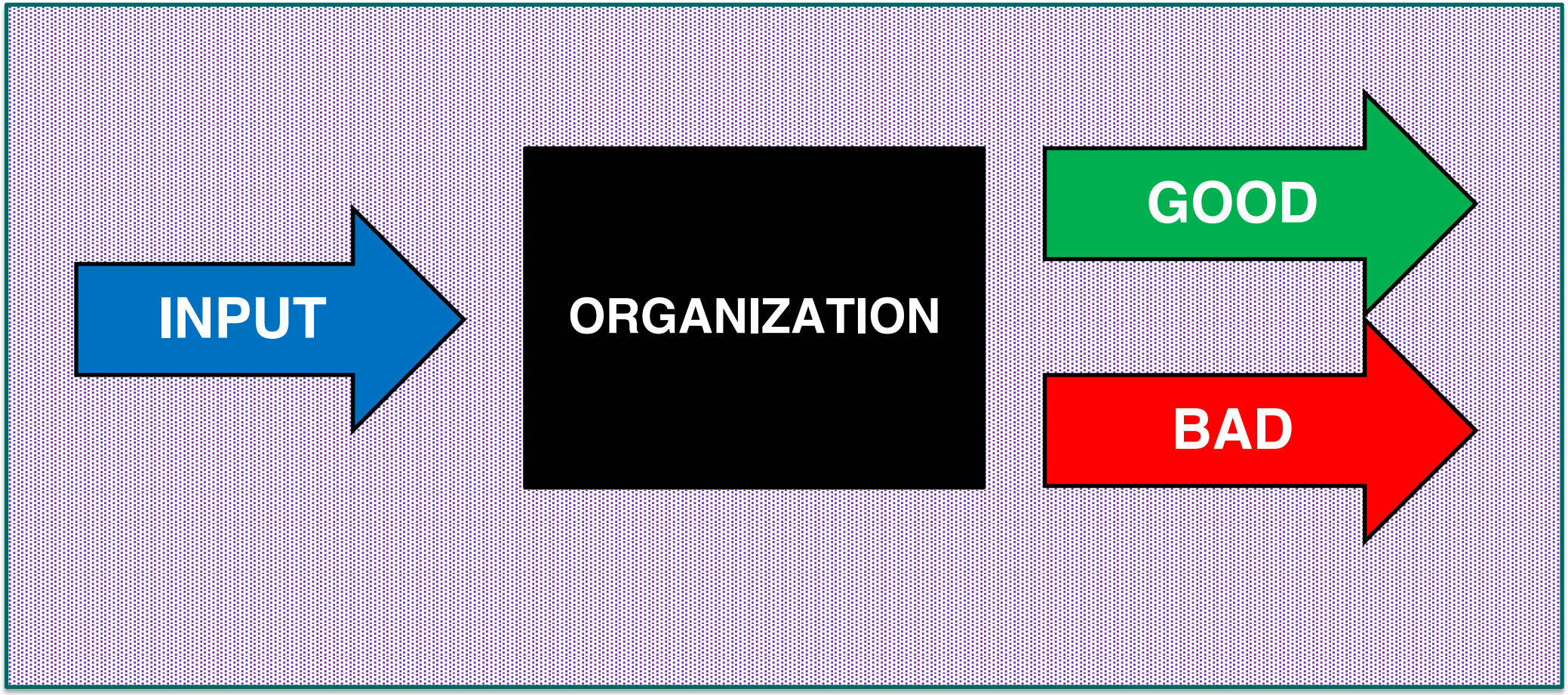


Meet all your obligations

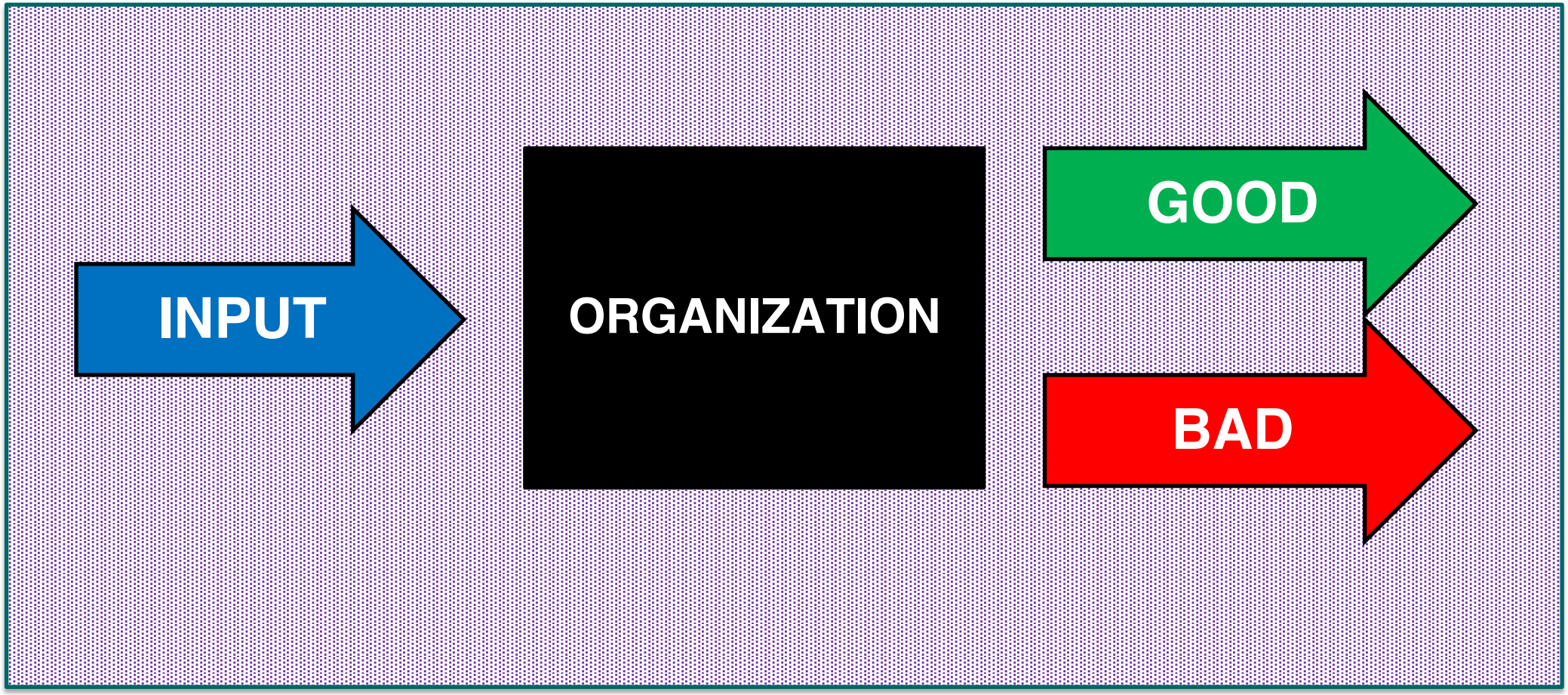
Stay between the lines



uncertainty



Uncertainty creates the opportunity for risk



Abnormal, adverse, non-conformance, missed objectives, missed goals, poor quality, unsafe product, unexpected outcomes, unmet obligations, failed project, …


Golf TDI Clean Diesel
2009 World Car of the Year
NOT A CONCEPT CAR




Mr. Mark Zuckerberg



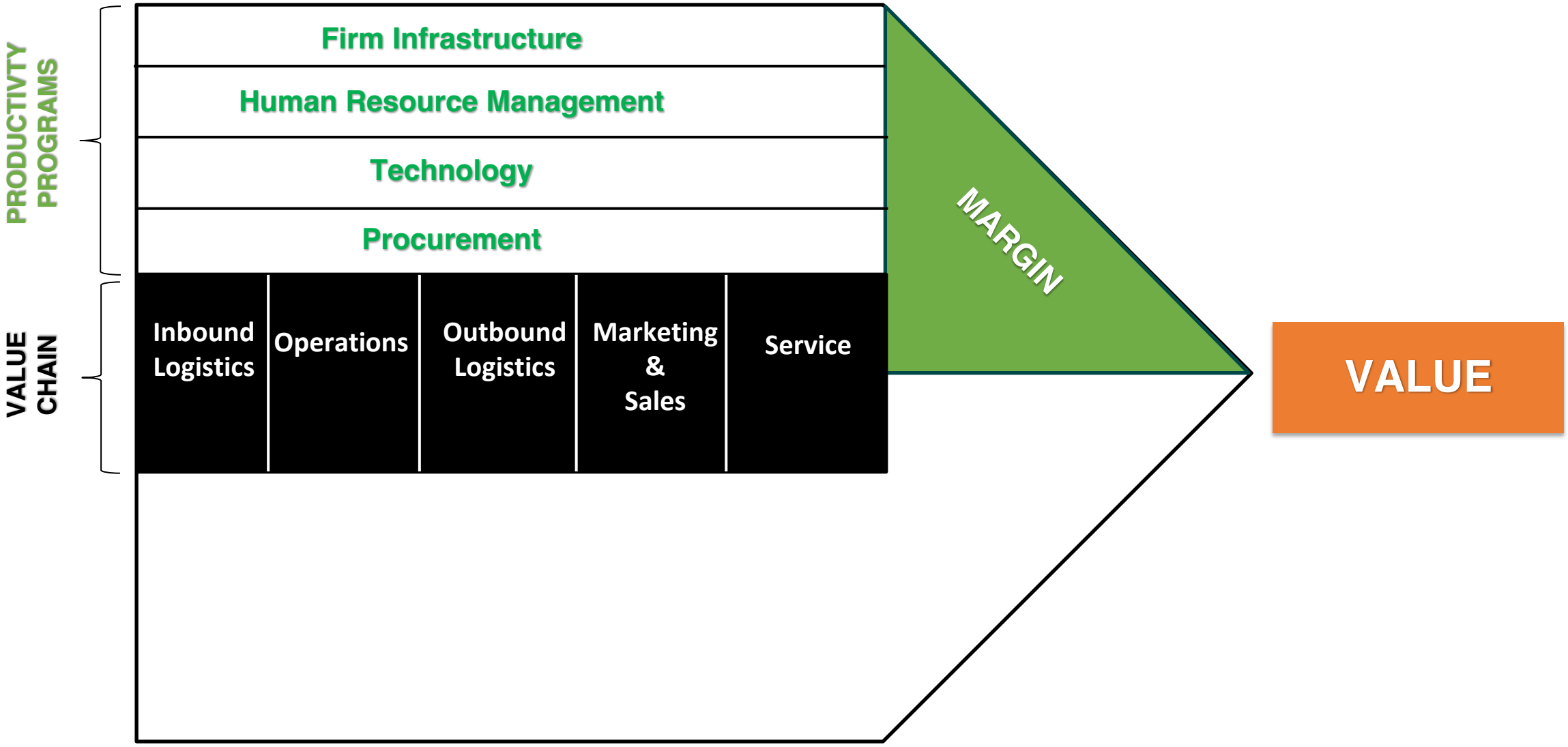
- Michael Porter

The purpose of the **value chain** is to **create value** as seen through the eyes of the stakeholders

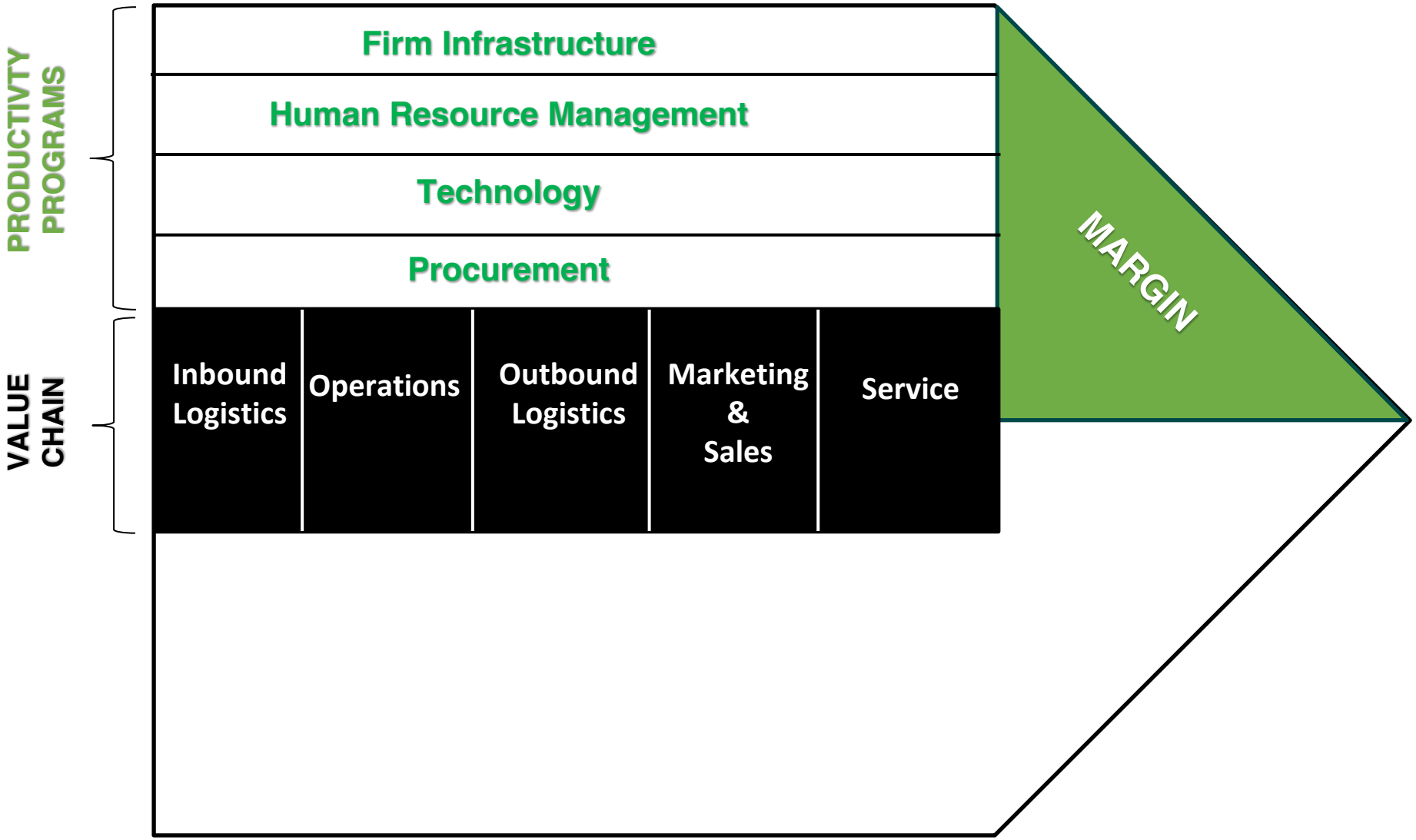


- Michael Porter

The purpose of **productivity** programs is to **improve margins**.



The purpose of **productivity** programs is to **improve margins**.

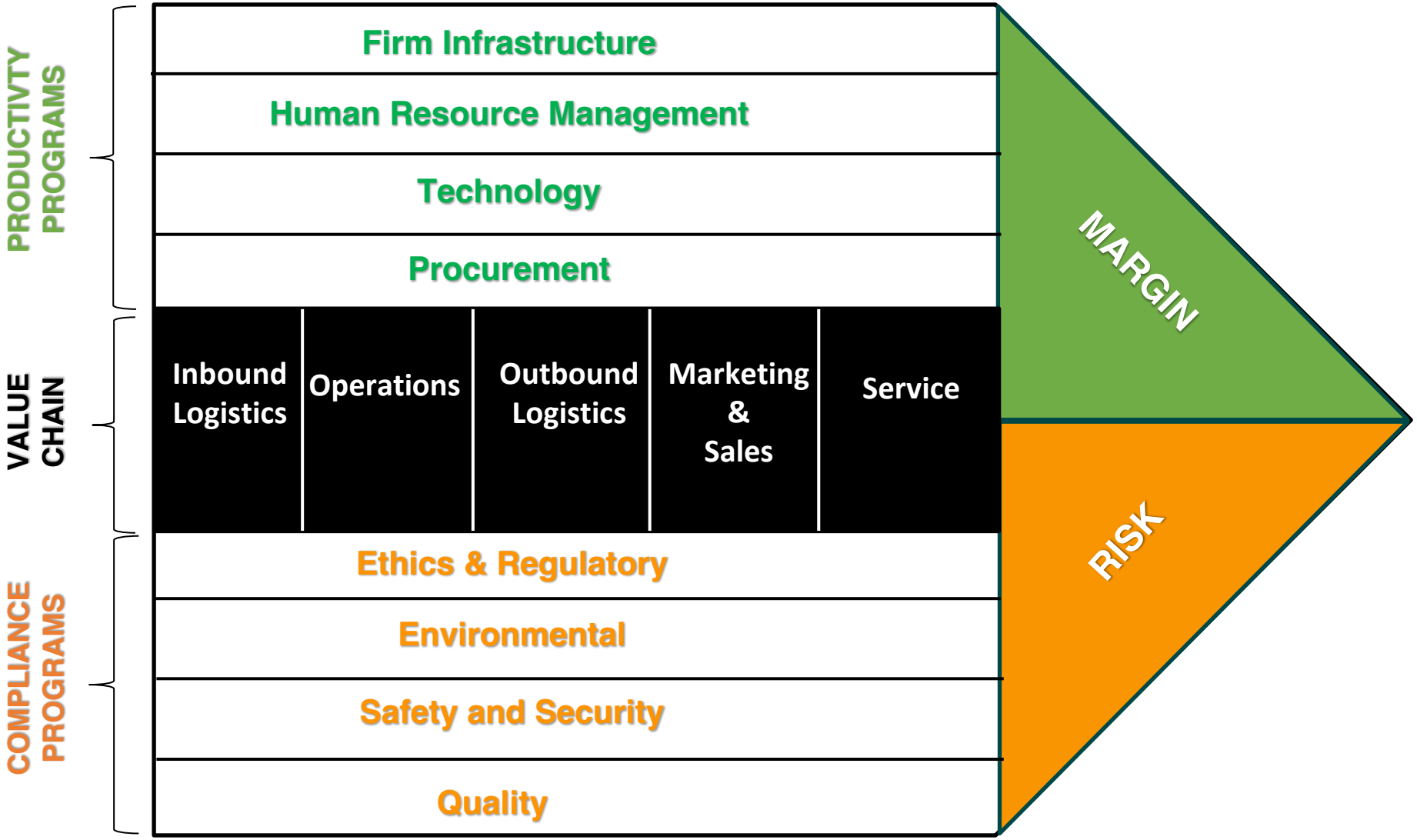


OUTCOMES

Profit
Trust
Reputation
Quality
Safety
Sustainability
Reliability

VALUE

The purpose of **productivity** programs is to **improve margins**.



OUTCOMES

Profit
Trust
Reputation
Quality
Safety
Sustainability
Reliability

VALUE

The purpose of **compliance** programs is to **buy down risk**.

effective – successful in producing a desired or intended result

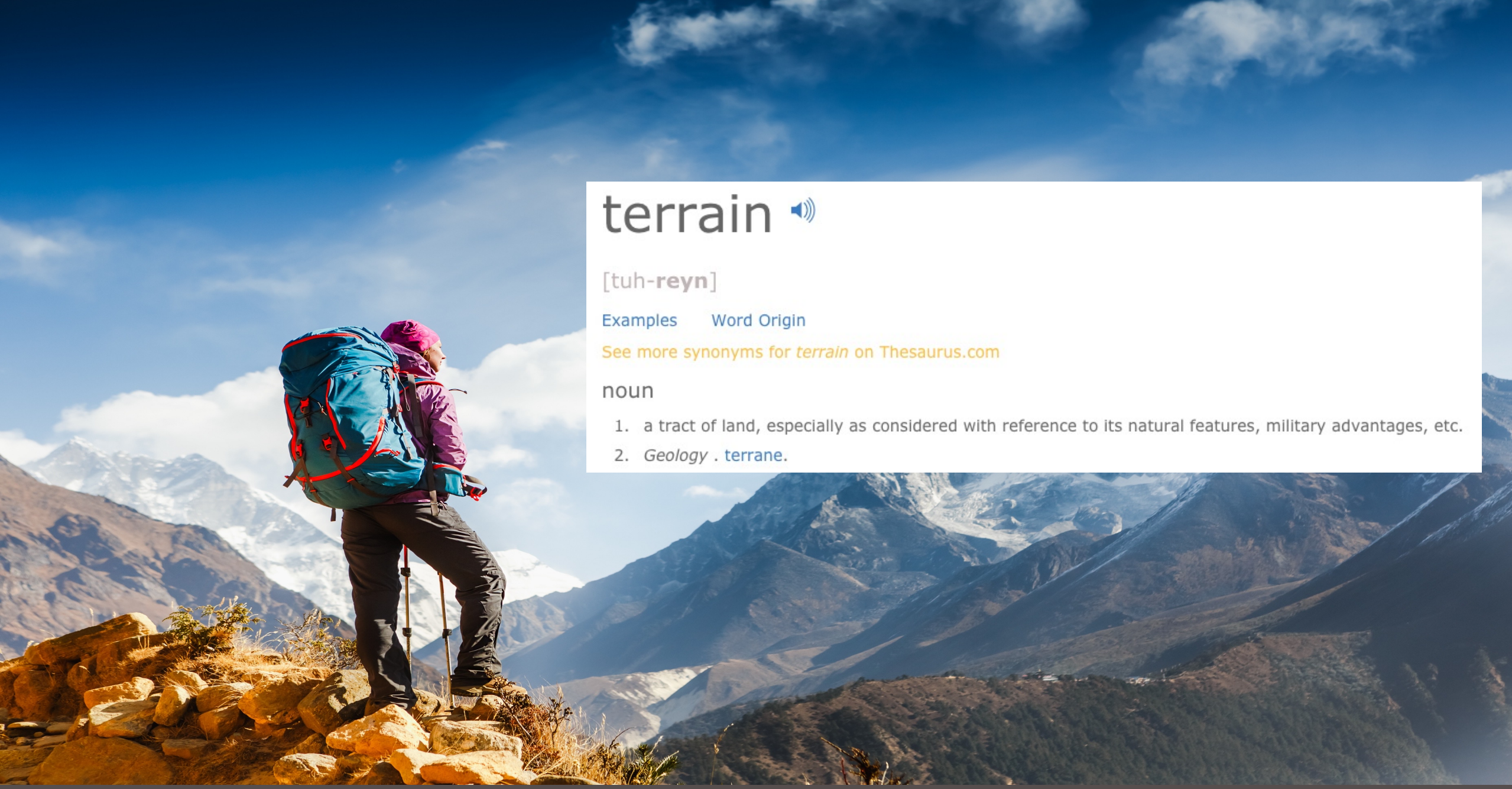
compliance

Meet all your obligations

Stay between the lines

Buy down risk

Ensure outcomes (all of them)



terrain

[tuh-**reyn**]

Examples Word Origin

See more synonyms for *terrain* on Thesaurus.com

noun

1. a tract of land, especially as considered with reference to its natural features, military advantages, etc.
2. *Geology* . terrane.

OUTLINE

COMPLIANCE PROBLEM

Lack of effectiveness

- **70**% of companies do not measure the effectiveness of their compliance programs
- Incomplete and invalid metrics
- Mistaking legal accountability for compliance effectiveness
- Self-reporting and self-selection bias

Rising cost of compliance

- Compliance alone is estimated to be between **8%-10%** of a FTE (time and salary)
- Compliance can be **2 to 3 times** that in highly-regulated, high-risk sectors (ex. oil & gas, energy, etc.)

70%



COMPLIANCE DEFINITIONS

COMPLIANCE

certification or **confirmation** that the **doer of an action** (such as the writer of an audit report), or the manufacturer or supplier of a product, meets the requirements of accepted practices, legislation, prescribed rules and regulations, specified standards, or the terms of a contract.

See also **conformance**.

CONFORMANCE

certification or **confirmation** that a **good, service, or conduct** meets the requirements of legislation, accepted practices, prescribed rules and regulations, specified standards, or terms of a contract.

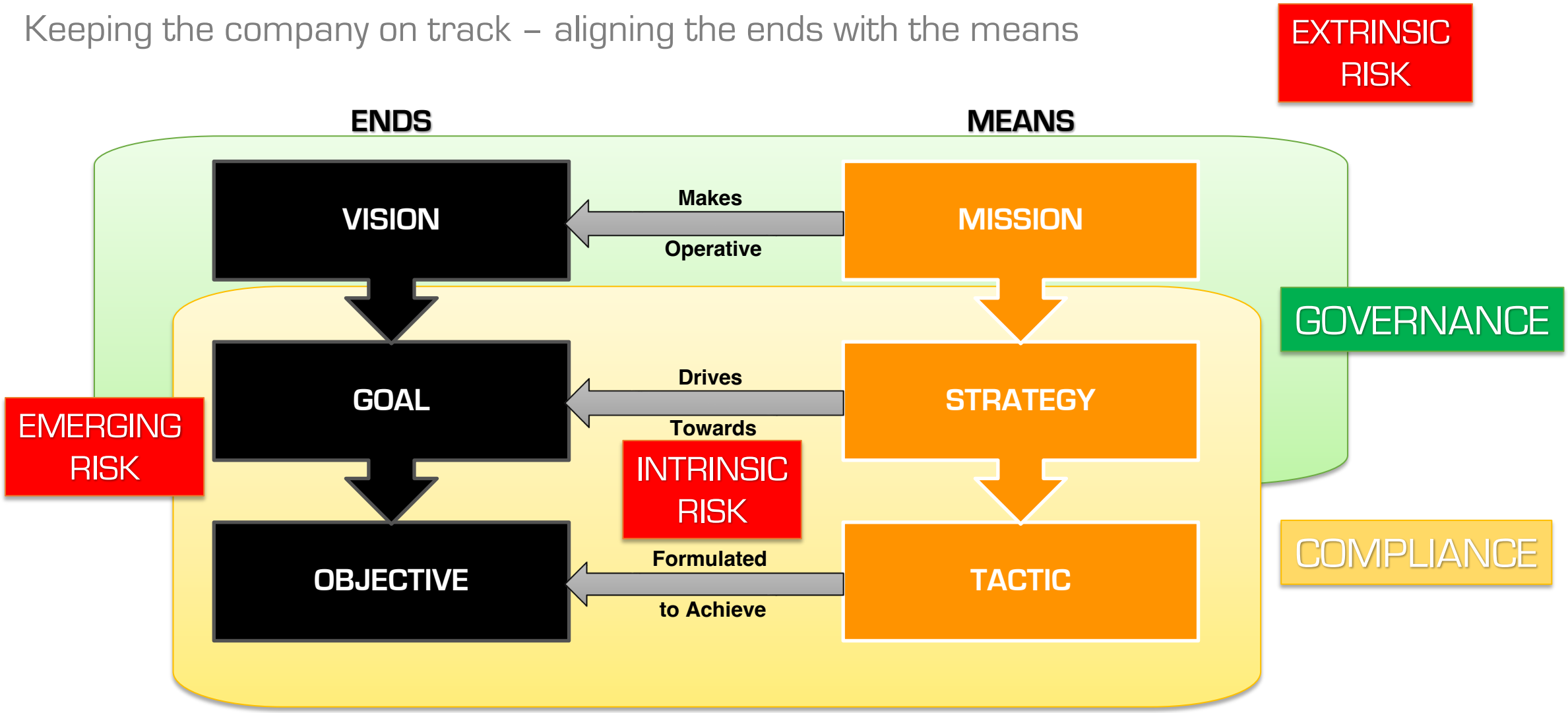
See also **compliance**.

HOW (MEANS)

WHAT (ENDS)

GOVERNANCE, RISK AND COMPLIANCE

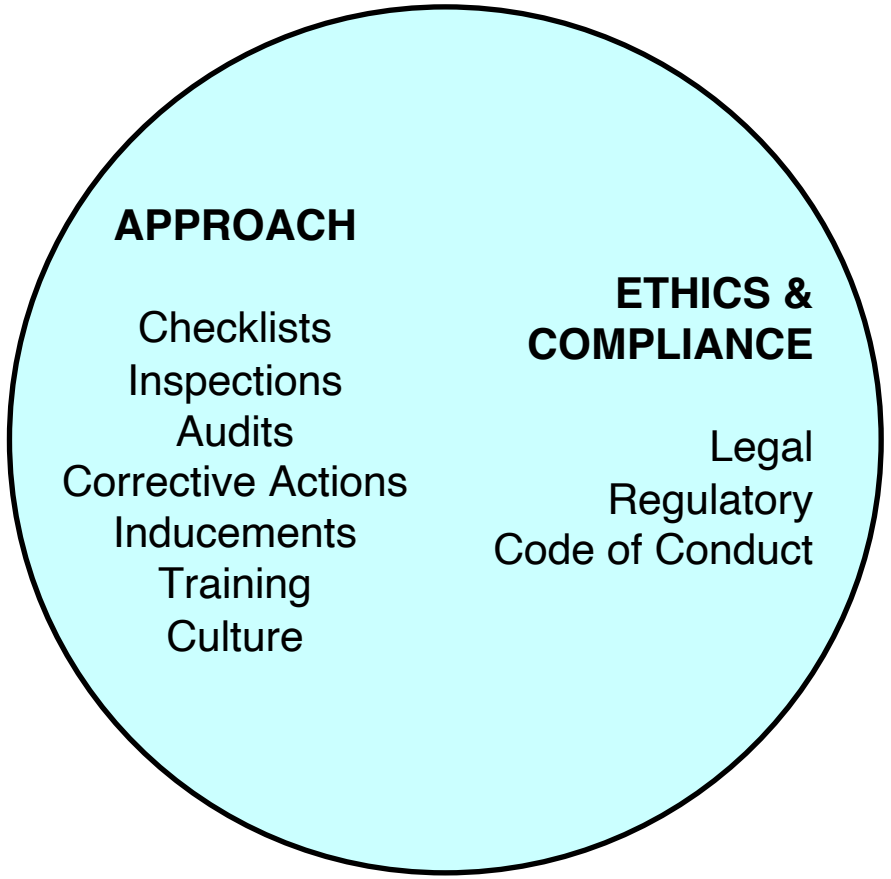
Keeping the company on track – aligning the ends with the means



COMPLIANCE OBLIGATIONS



COMPLIANCE FUNCTIONS



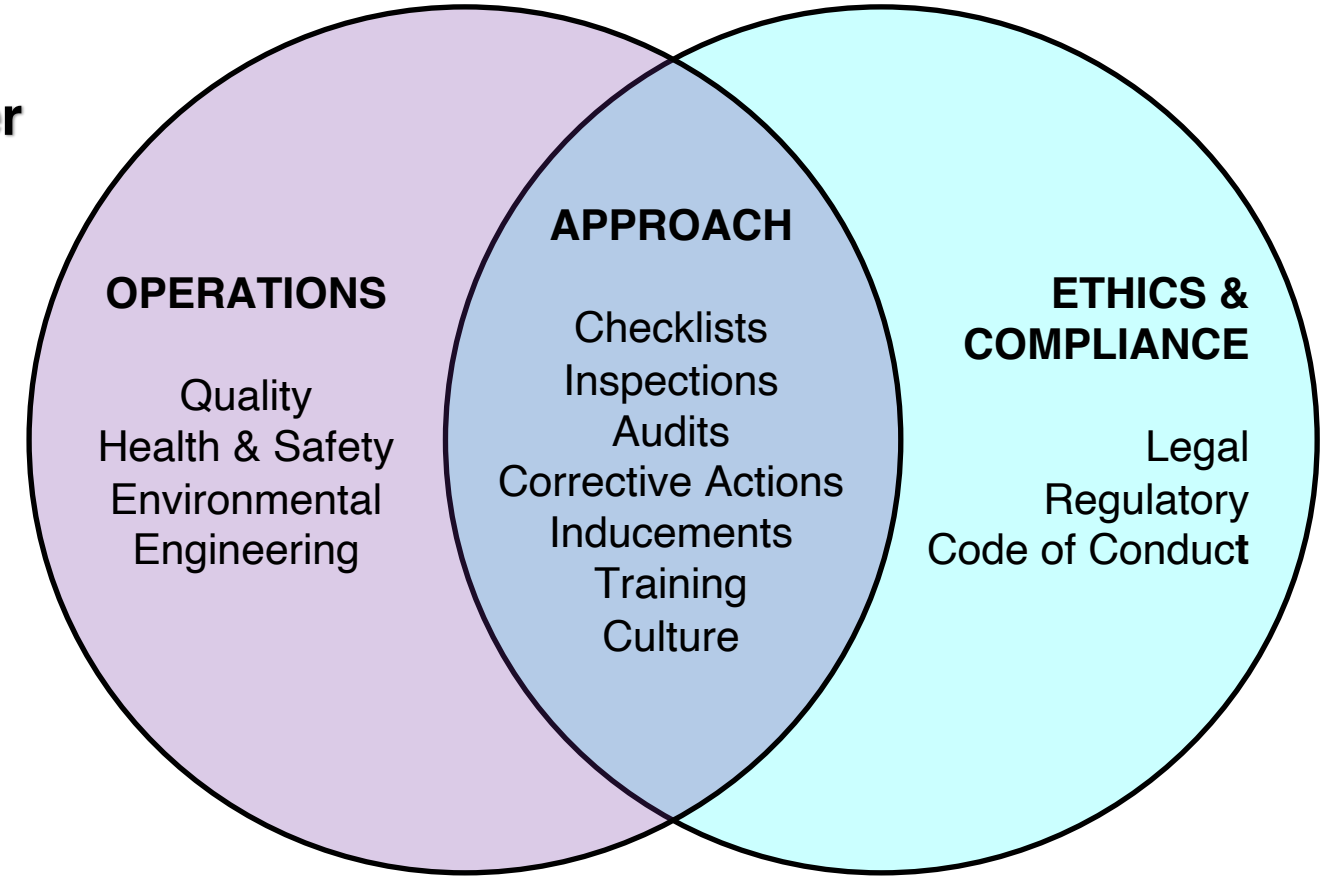
Accept Public
Responsibilities

Conformance
to Requirements

COMPLIANCE FUNCTIONS

Accept Stakeholder
Responsibilities

Conformance
to Standards



Accept Public
Responsibilities

Conformance
to Requirements

COMPLIANCE SYSTEMS



COMPLIANCE REGULATORY DESIGN

Prescriptive-based Compliance

Reactive Thinking



Proactive Thinking

Performance-based Compliance

Standards Based → **Audit Based** → **Continuous Improvement Based** → **Risk Based**

What should I do?

What must I do?

How can I improve?

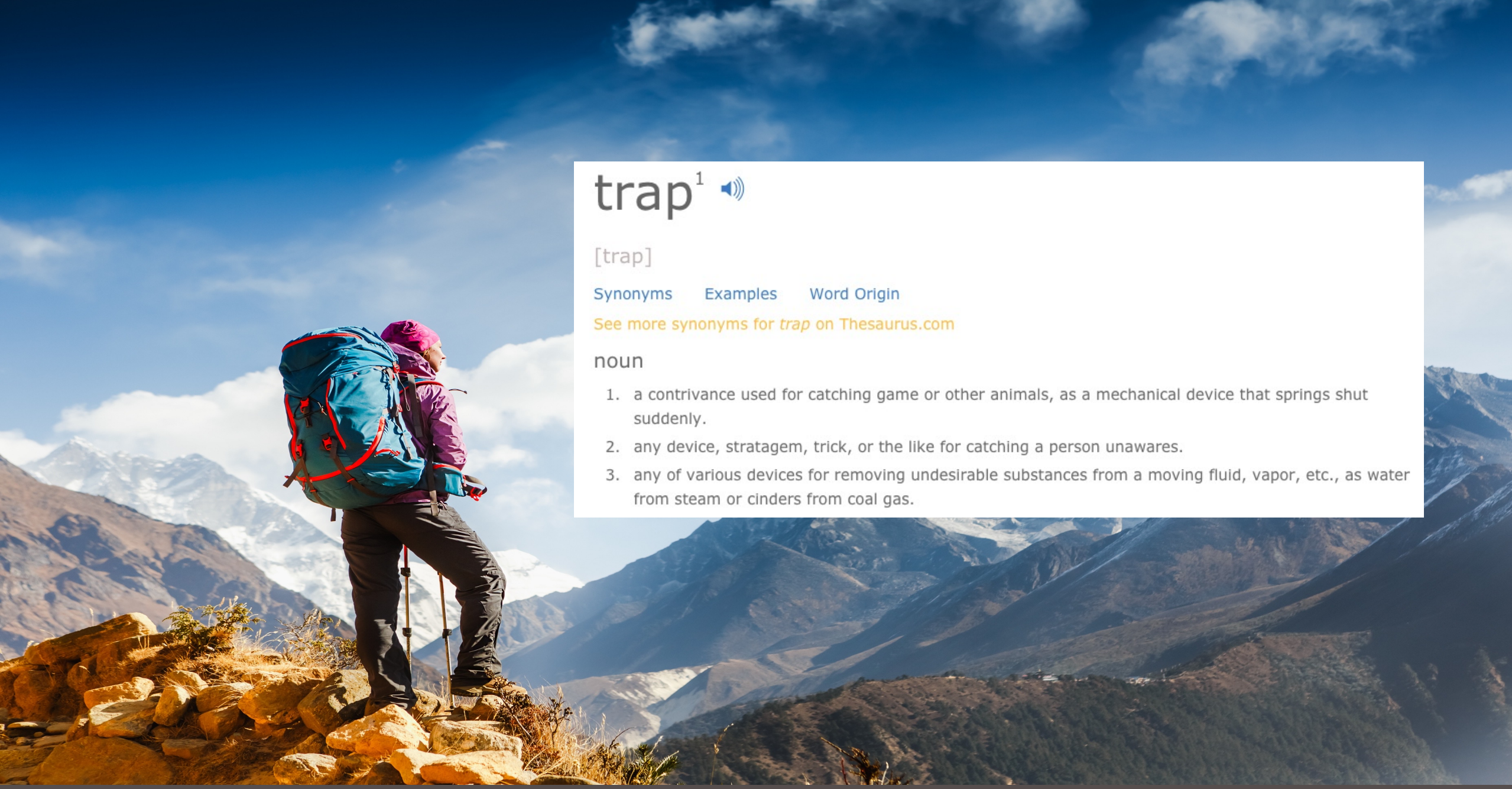
How can I ensure objectives?

Findings / Lagging Actions

Ownership / Leading Actions

COMPLIANCE IMPLEMENTATION

Paradigm Shifts	Old	New
Attitude	Necessary Evil	Necessary Good
Structure	Siloes	Integrated / Systems Thinking
Accountability	Worker Level	Managerial accountability and worker responsibility
Time Horizon	Past	Future
Improvement	Reactive and sporadic	Proactive and continuous
Implementation	By the elements (the trees)	By the process (the forests)
Goal	Adherence to prescriptive compliance	Achievement of compliance outcomes



trap[1]

[trap]

Synonyms Examples Word Origin

See more synonyms for *trap* on Thesaurus.com

noun

1. a contrivance used for catching game or other animals, as a mechanical device that springs shut suddenly.
2. any device, stratagem, trick, or the like for catching a person unawares.
3. any of various devices for removing undesirable substances from a moving fluid, vapor, etc., as water from steam or cinders from coal gas.

OUTLINE

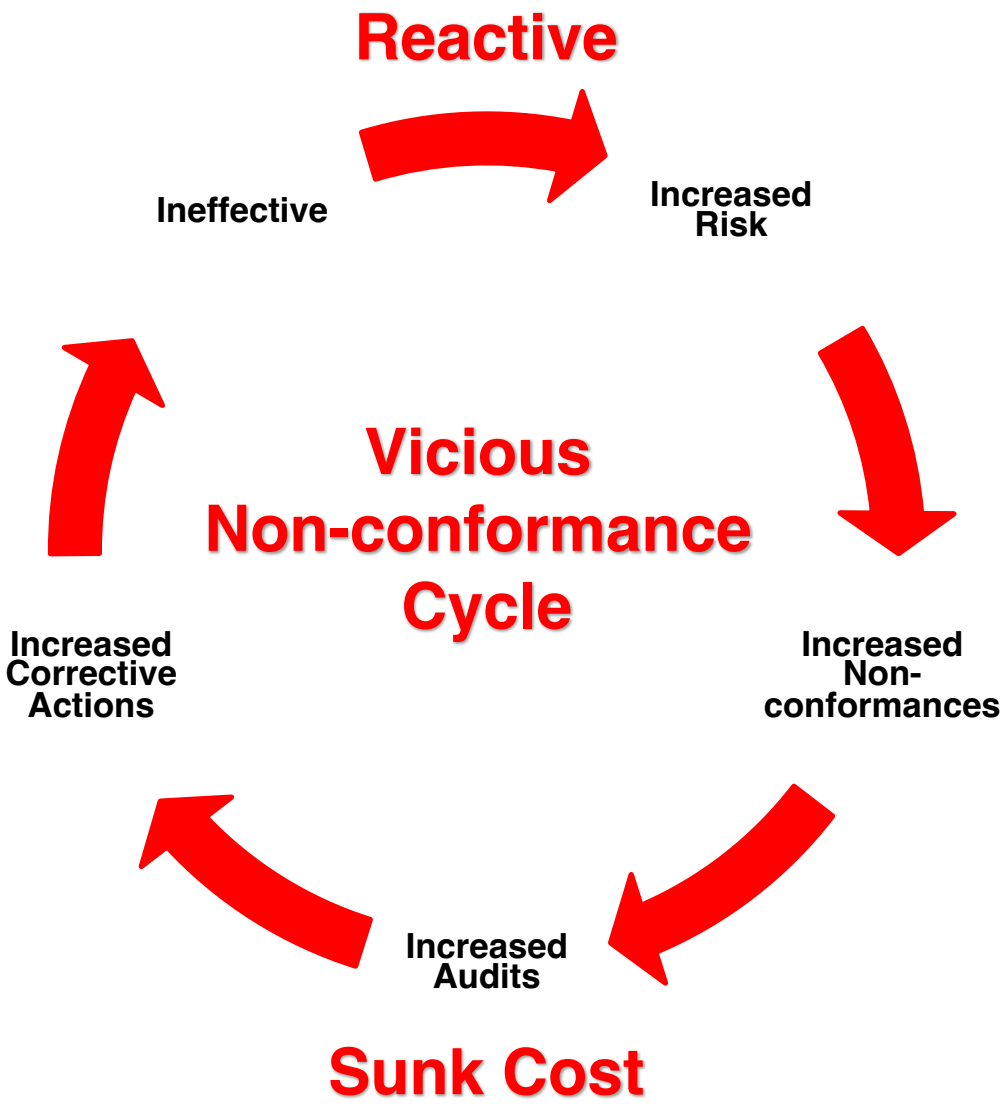


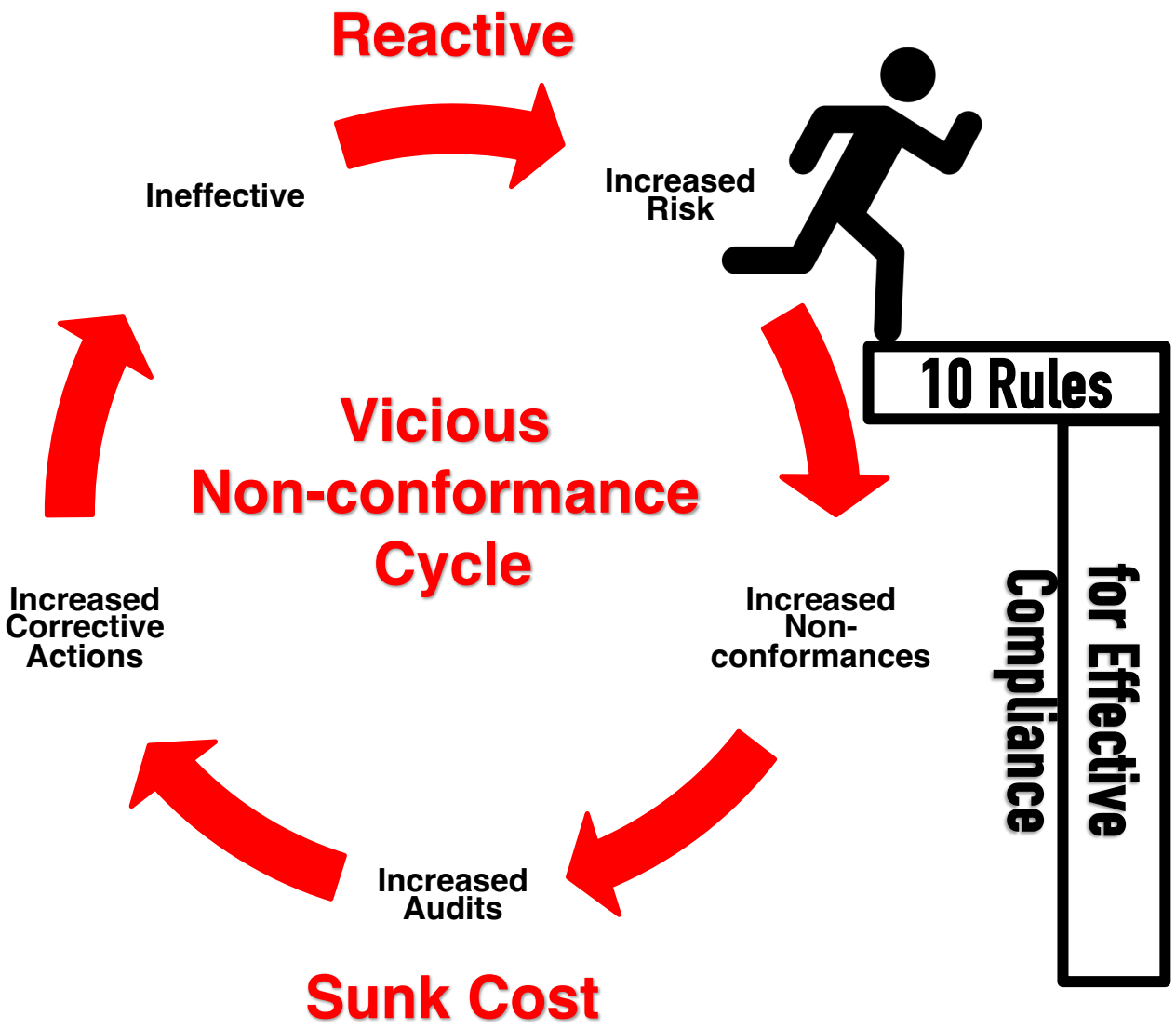
TRAP

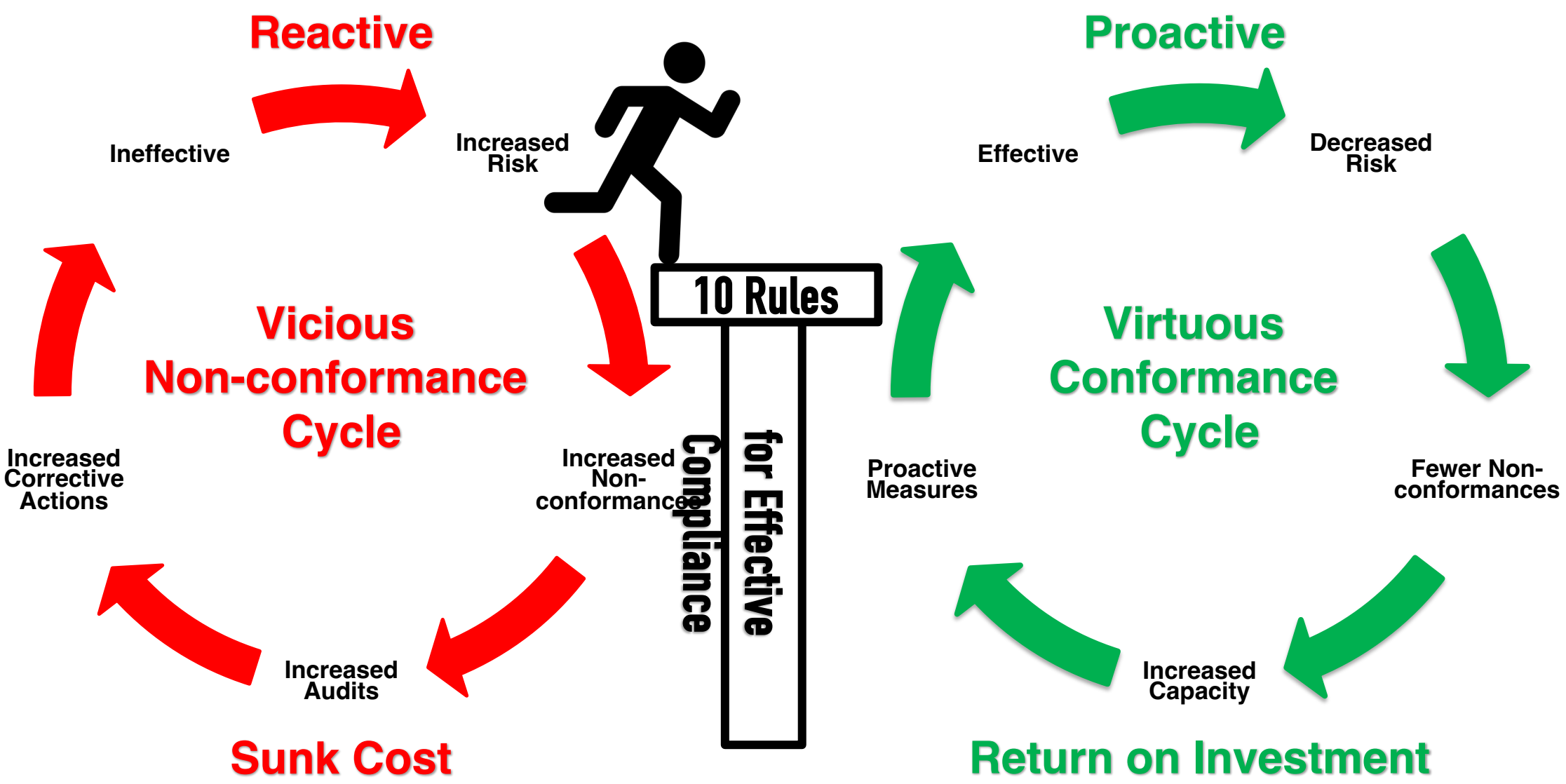
LEAN COMPLIANCE

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Reactive
Ineffective
Increased Risk
Vicious Non-conformance Cycle
Increased Corrective Actions
Increased Non-conformances
Increased Audits
Sunk Cost


Reactive
Ineffective
Increased Risk
10 Rules
for Effective
Compliance
Increased Non-conformances
Increased Audits
Sunk Cost
Increased Corrective Actions
Vicious Non-conformance Cycle


Reactive
Ineffective
Increased Risk
Proactive
Effective
Decreased Risk
10 Rules
for Effective
Compliance
Vicious Non-conformance Cycle
Virtuous Conformance Cycle
Increased Corrective Actions
Increased Non-conformance
Proactive Measures
Fewer Non-conformances
Increased Audits
Increased Capacity
Sunk Cost
Return on Investment



10 RULES FOR EFFECTIVE COMPLIANCE

An antidote to the vicious non-conformance cycle

OUTLINE

1. Keep all your Promises

LEAN COMPLIANCE

10 Rules
For
Effective
Compliance

#1



To ask less of the planet, we ask more of ourselves.

We strive to create products that are the best in the world and the best for the world. And we continue to make progress toward our environmental priorities. Like powering all Apple facilities worldwide with 100% renewable energy. Creating the next innovation in recycling with Daisy, our newest disassembly robot. And leading the industry in making our materials safer for people and for the earth. In every product we make, in every innovation we create, our goal is to leave the planet better than we found it.

At Johnson & Johnson Inc., our mission is to enrich the health and wellness of every Canadian, every day. Behind every one of our brands is a tradition of innovative research, cutting-edge technology, and a deep commitment to delighting our consumers with products that they can trust for their entire family.

Enbridge is committed to ensuring everyone returns home safely at the end of each and every day, and that our assets are operated in a safe and reliable manner. We base our commitment to safety on our care for employees, contractors, the communities in which we operate and the environment.

HYDRO ONE

ENVIRONMENTAL POLICY

OUR VALUES GUIDE US TO WORK RELENTLESSLY WITH OUR EMPLOYEES AND THOSE WHO WORK FOR US TO ACHIEVE WORLD-CLASS ENVIRONMENTAL PERFORMANCE. WE WILL STRIVE FOR CONTINUAL IMPROVEMENT OF OUR HEALTH, SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM. WE WILL DELIVER ELECTRICITY TO OUR CUSTOMERS AND MANAGE OUR OPERATIONS IN AN ENVIRONMENTALLY RESPONSIBLE AND SUSTAINABLE MANNER.

PROMISES CREATE OBLIGATIONS

2. Take ownership of all your obligations

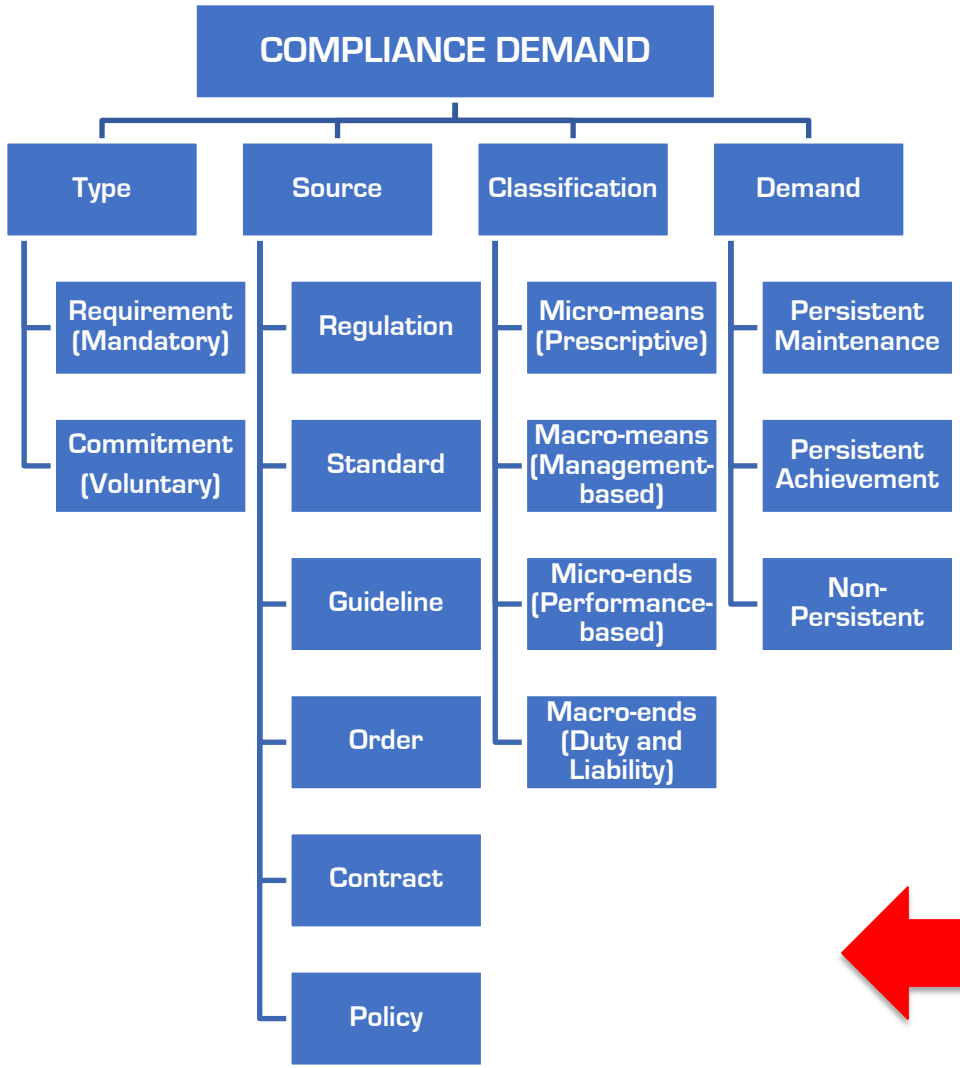
LEAN COMPLIANCE

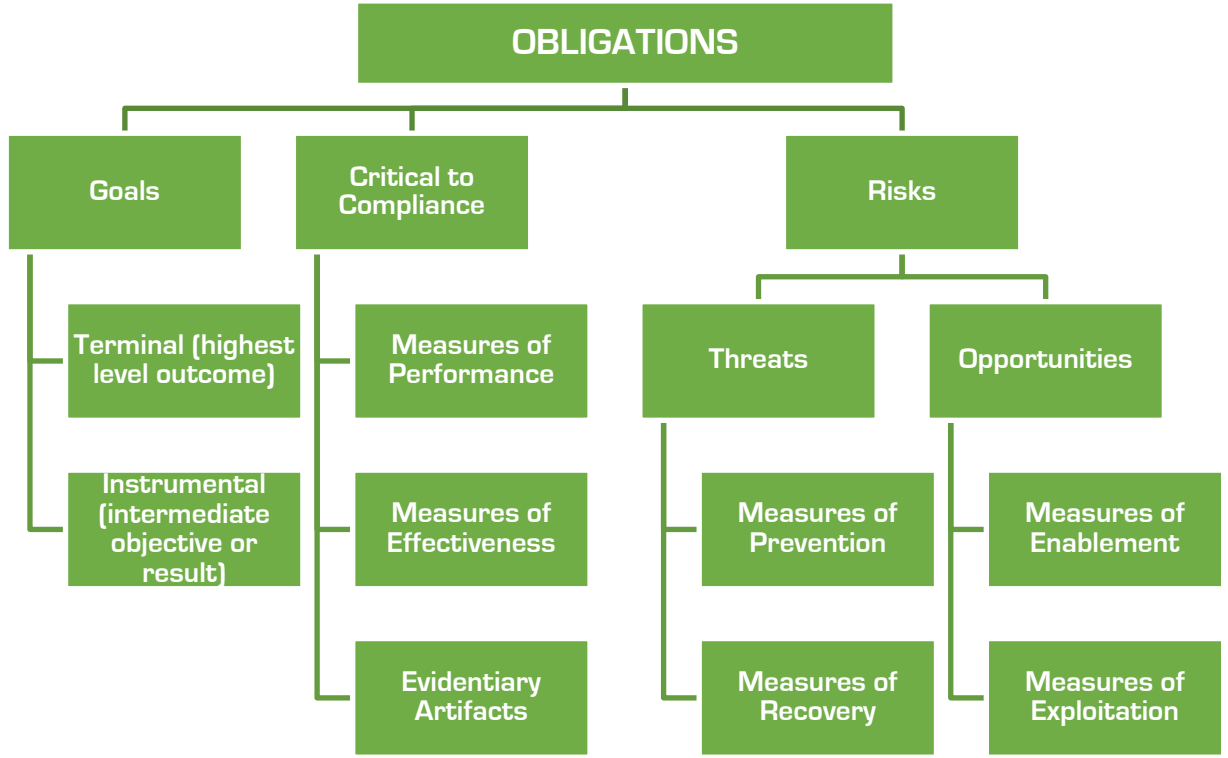
Helping you meet all your obligations

#2



WHERE YOU AIM DETERMINES WHAT YOU ACHIEVE







MANAGE YOUR INTENTIONS

Obligation Management System

HELP

Compliance Obligations | Compliance Source | Compliance Measures | Compliance Threats | Compliance Opportunities | Compliance Actio | SHARE | BLOCKS

Obligations by Source | Hide fields | Filter | Grouped by 1 field | Sort | Color

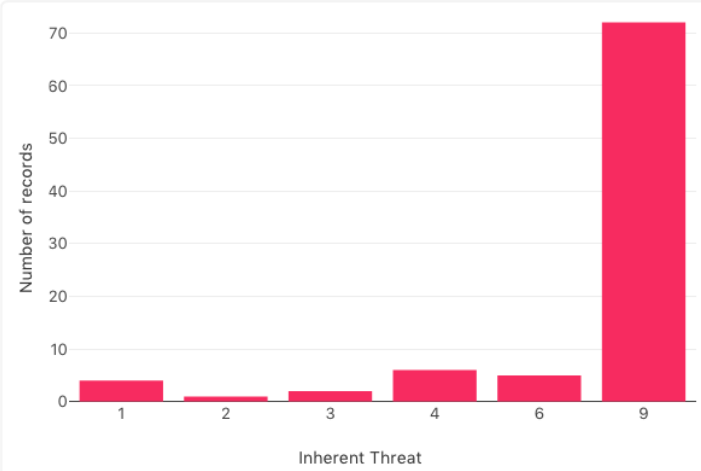
	Compliance Obligation	Compliance Source Element	Compliance Obligation Type	Inherent Threat	Treated Threat
COMPLIANCE SOURCE	LF Compliance Principles (Count 10)			Hist	Hist
64	1. Keep all your promises	10 Principles of Effective Compliance	Persistent Achievement	9	9
65	2. Take ownership for all your compliance obligations	10 Principles of Effective Compliance	Persistent Achievement	9	9
66	3. Develop programs and systems that always keep you in compliance	10 Principles of Effective Compliance	Persistent Achievement	9	9
67	4. Incrementally and continously improve your compliance	10 Principles of Effective Compliance	Persistent Achievement	9	9
68	5. Make compliance an integral part of your performance and productivity processes	10 Principles of Effective Compliance	Persistent Achievement	9	9
69	6. Use proactive strategies to always stay in compliance	10 Principles of Effective Compliance	Persistent Achievement	9	9
70	7. Monitor in real-time the status and your ability to stay in compliance	10 Principles of Effective Compliance	Persistent Achievement	9	9
71	8. Audit outcomes of your compliance programs not activity	10 Principles of Effective Compliance	Persistent Achievement	9	9
72	9. Develop a learning culture around compliance	10 Principles of Effective Compliance	Persistent Achievement	9	9
73	10. Always strengthen your ability to easily meet and maintain compliance	10 Principles of Effective Compliance	Persistent Achievement	9	9
COMPLIANCE SOURCE	LF Obligation Management Initiatives (Count 8)			Hist	Hist
74	1. Identify all compliance obligations	General	Persistent Achievement	9	9
75	2. Define measures of effectiveness, performance and compliance	General	Persistent Achievement	9	9
76	3. Identify standards to be used as normative processes	General	Persistent Achievement	9	9

Dashboard | Add a block

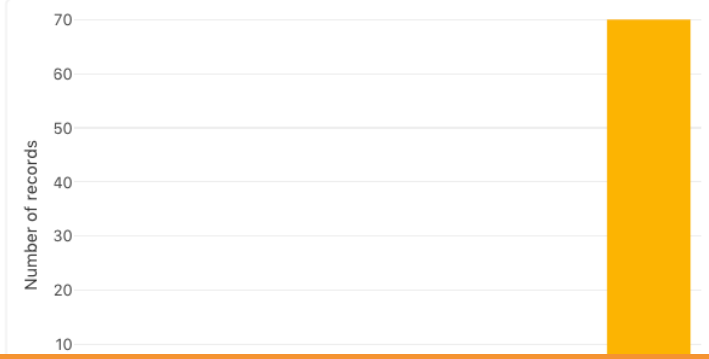
Number of Obligations

90

Obligation Risk (Threats)



Obligation Treated Risk (Threats)



MANAGE YOUR OBLIGATIONS

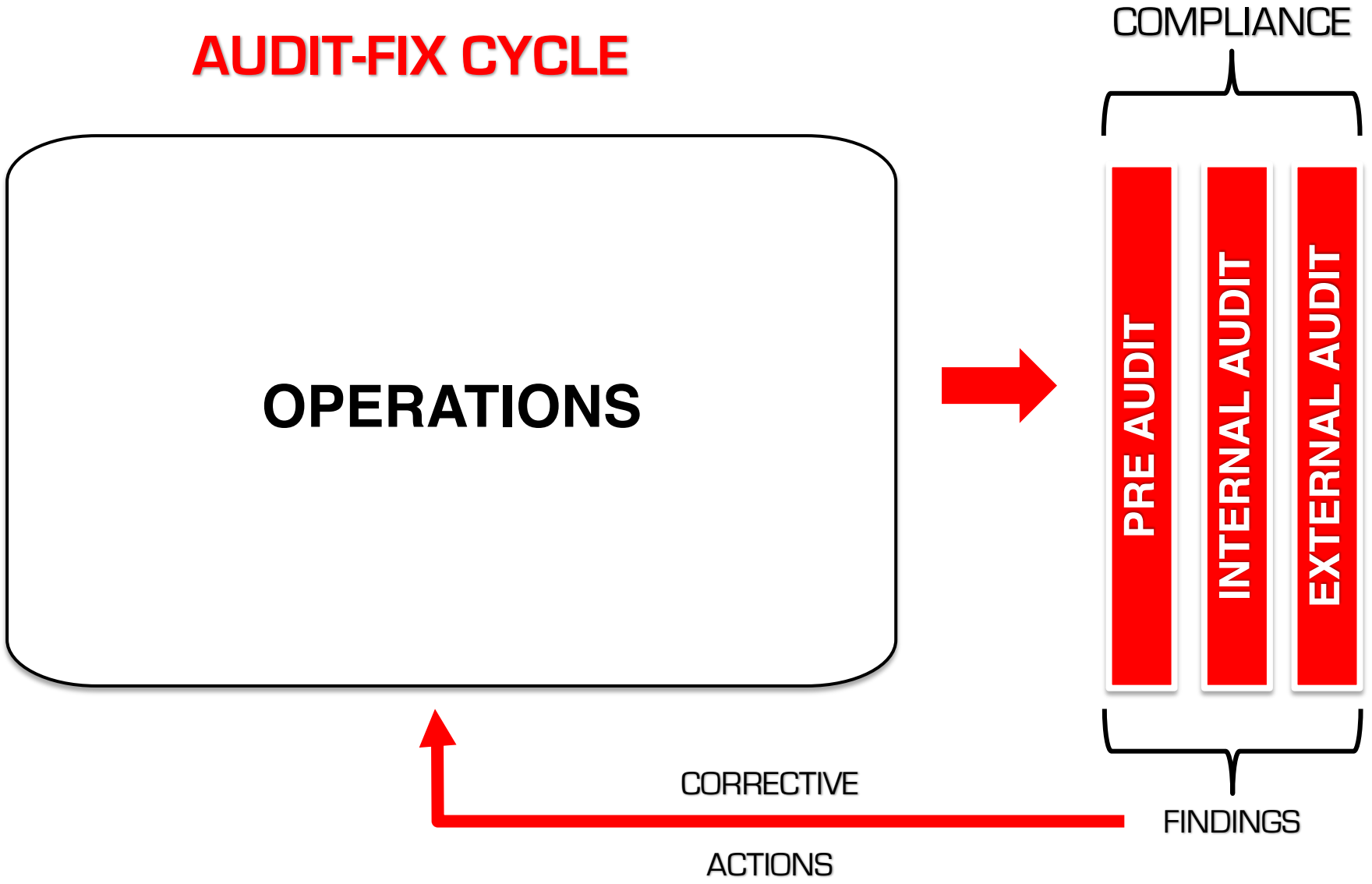
3. Develop programs and systems that always keep you in compliance

LEAN COMPLIANCE

10 Rules For Effective Compliance

#3

AUDIT-FIX CYCLE



COMMON APPROACH IS BASED ON REACTIVE AUDIT-FIX CYCLE

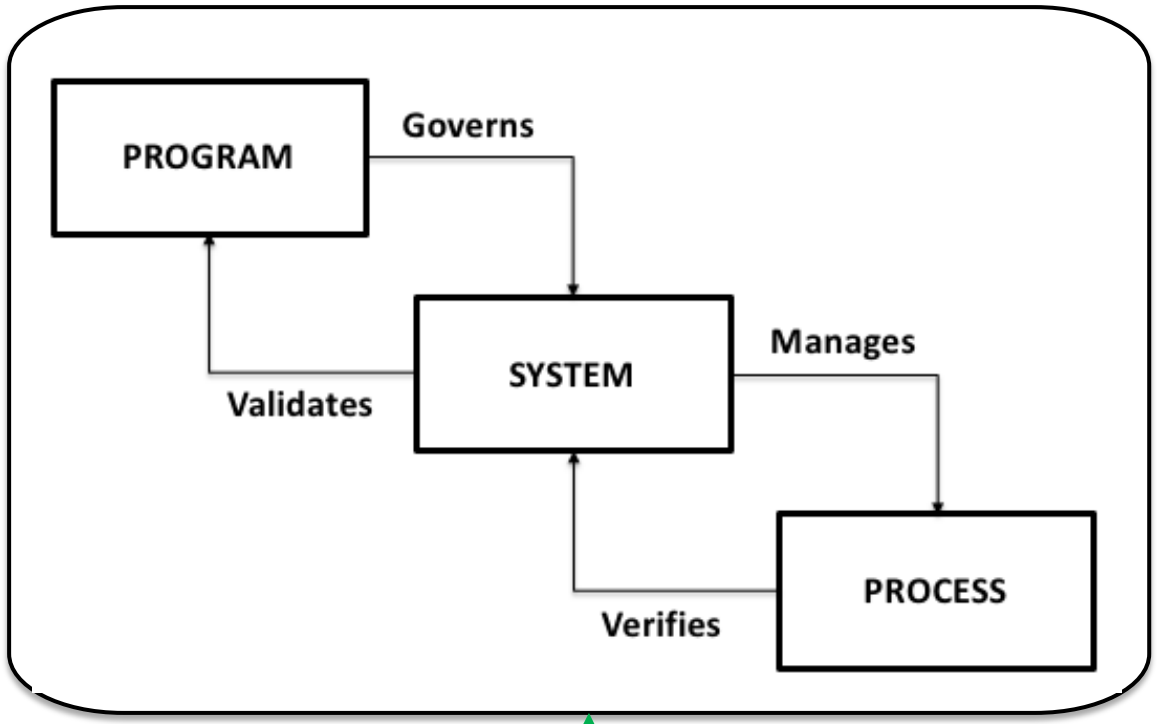
PROACTIVE COMPLIANCE

OBLIGATIONS

COMPLIANCE OBLIGATIONS

CHANGE MANAGEMENT

OBJECTIVES AND GOALS



OUTPUT AND OUTCOMES

COMPLIANCE

AUDIT

FINDINGS

CHANGE

DIRECTIVES

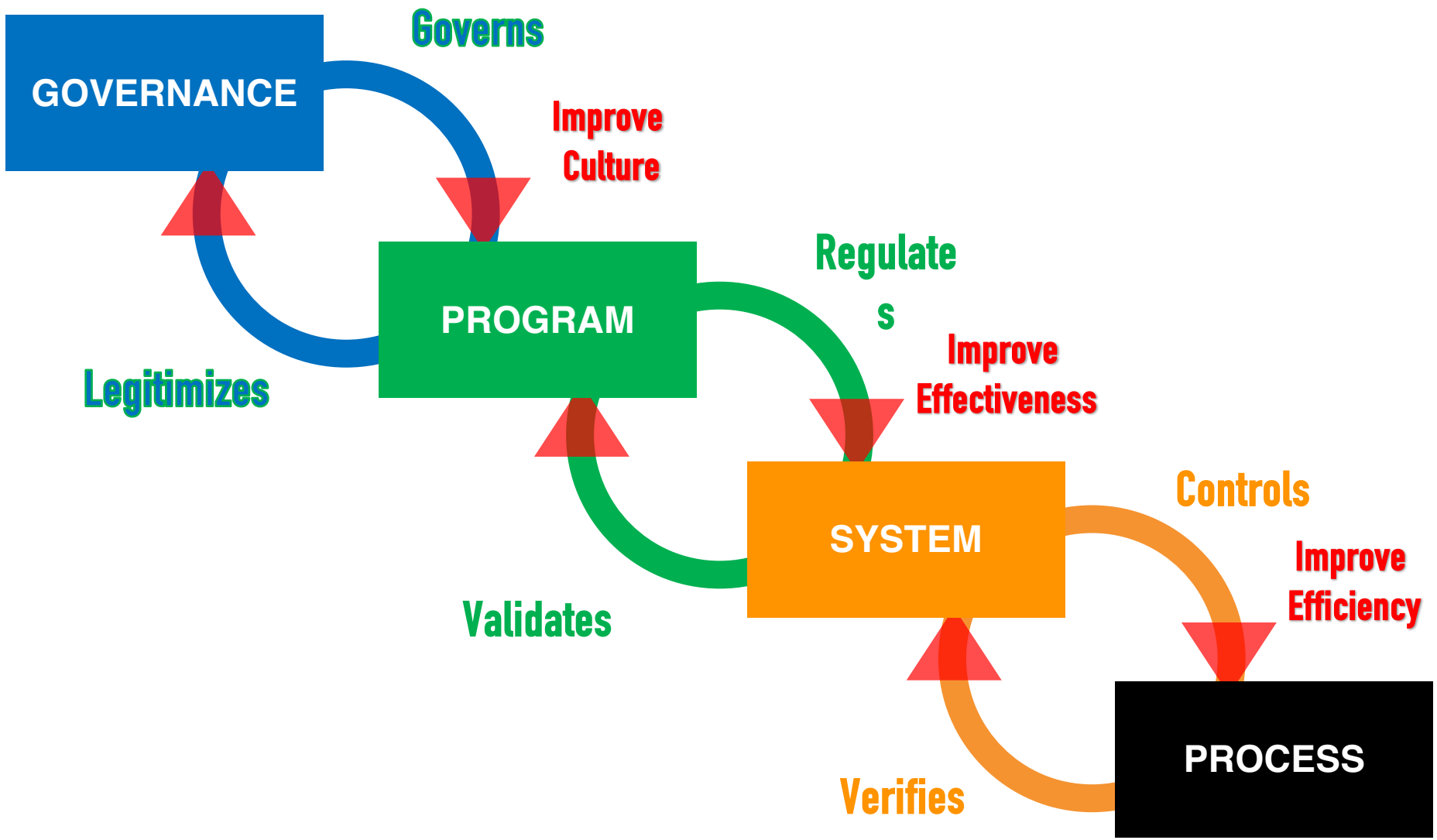
ALWAYS STAY IN COMPLIANCE (KEEP IT GREEN)

4. Incrementally and continuously improve your compliance

LEAN COMPLIANCE

10 Rules For Effective Compliance

#4



3 RINGS OF IMPROVEMENT

5. Make compliance and integral part of your processes

LEAN COMPLIANCE

10 Rules For Effective Compliance

#5

Quality by Design

Safety by Design

Security by Design



Environment-friendly by Design

Ethical by Design

Compliance (regulatory) by Design

OUTCOMES

Profit
Trust
Reputation
Quality
Safety
Sustainability
Reliability

VALUE

EMBED COMPLIANCE INTO THE VALUE CHAIN

6. Use proactive strategies to stay in compliance

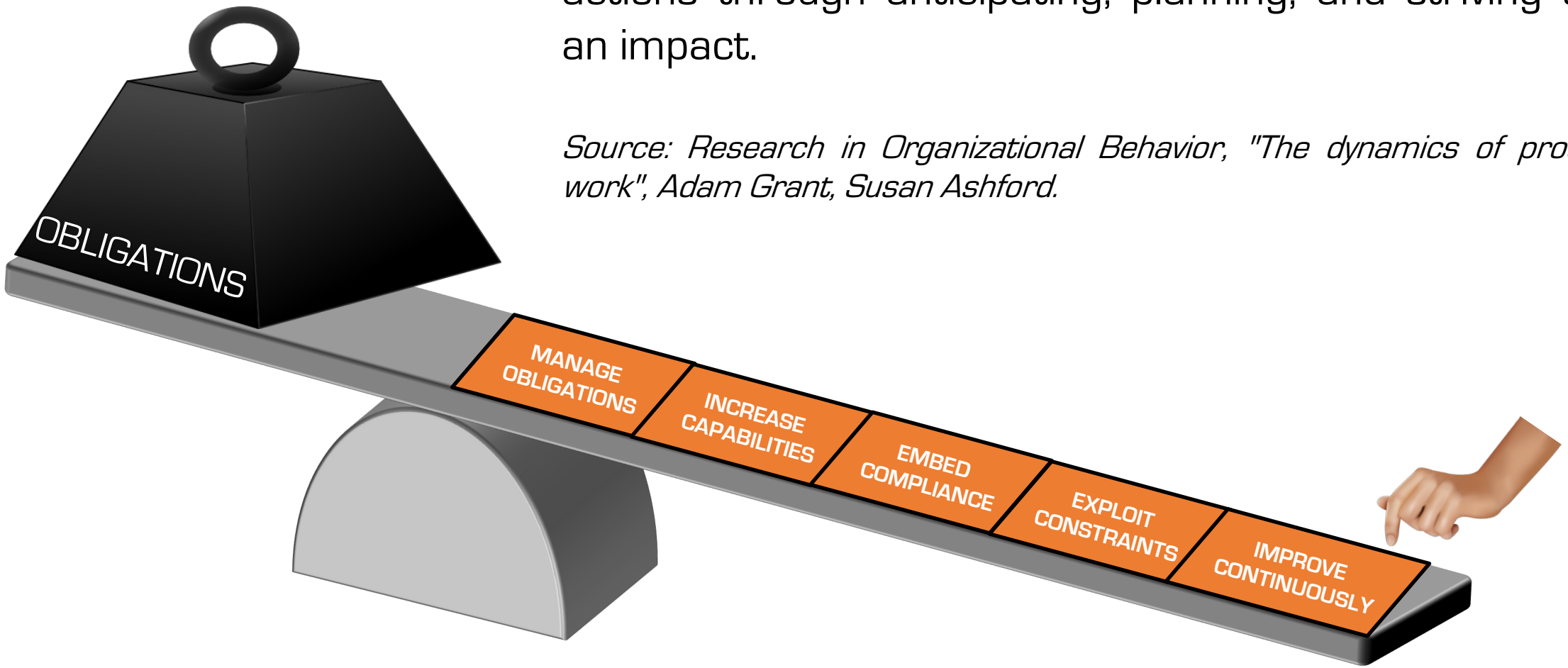
LEAN COMPLIANCE

10 Rules For Effective Compliance

#6

proactivity is a process that can be applied to any set of actions through anticipating, planning, and striving to have an impact.

Source: Research in Organizational Behavior, "The dynamics of proactivity at work", Adam Grant, Susan Ashford.

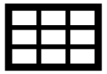
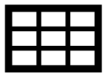
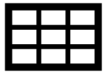
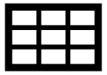


LEAN COMPLIANCE

10 Rules For Effective Compliance

7. Monitor in real-time the status and your ability to stay in compliance.

#7

SOURCE	OBLIGATIONS	COMPLIANCE	PERFORMANCE	EFFECTIVENESS
Polices				
Standards				
Regulations				
Processes				
Charters				
Vision / Mission				

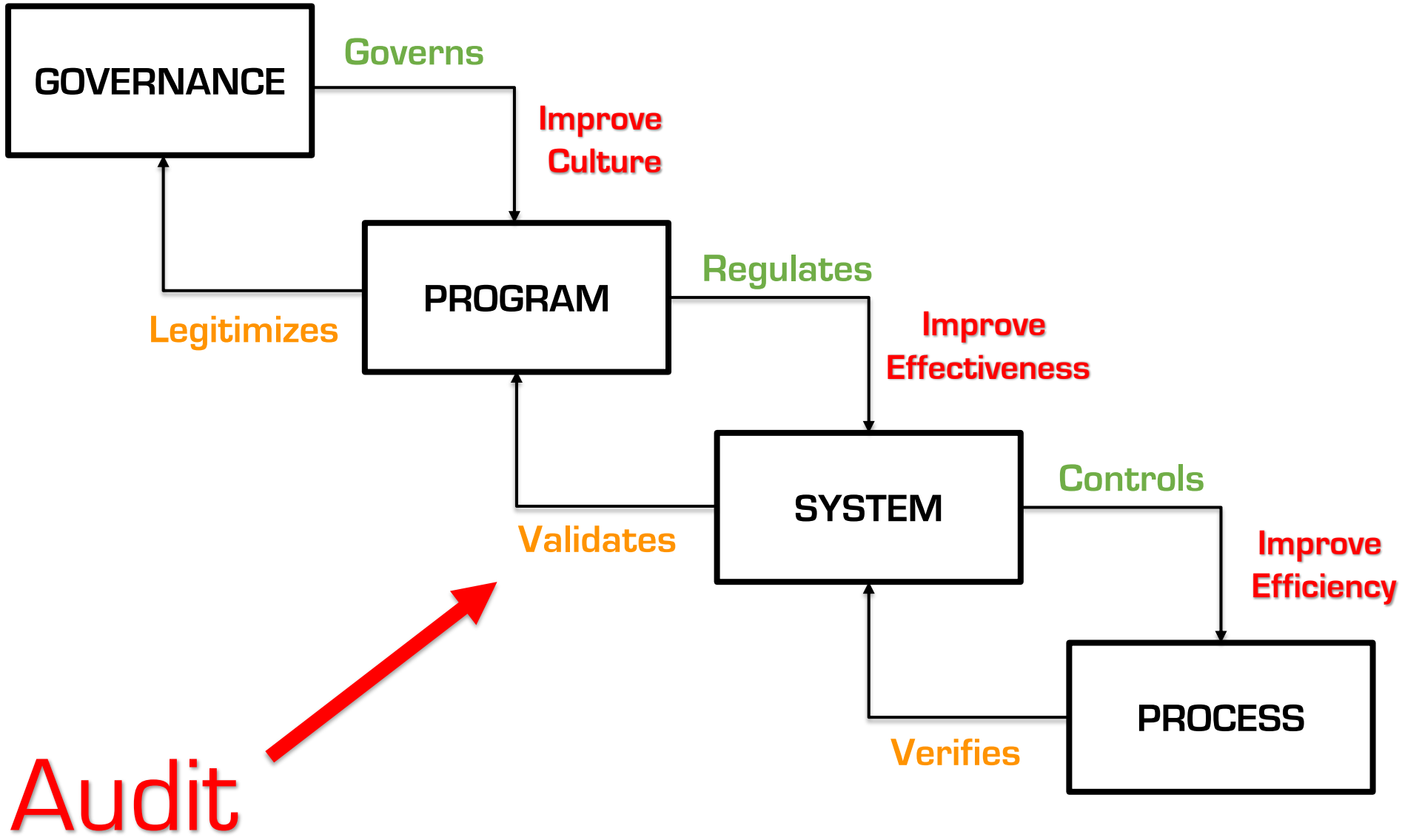
MoE – Measures of Effectiveness – Are we making progress at buying down risk?
MoP – Measures of Performance – Do we have what we need to be effective?
MoC – Measures of Compliance – Are we in compliance?

8. Audit outcomes of your compliance programs

LEAN COMPLIANCE

10 Rules For Effective Compliance

#8


GOVERNANCE
Governs
Improve
Culture
PROGRAM
Legitimizes
Regulates
Improve
Effectiveness
SYSTEM
Validates
Controls
Improve
Efficiency
PROCESS
Verifies
Audit

9. Develop a learning culture around compliance

LEAN COMPLIANCE

10 Rules For Effective Compliance

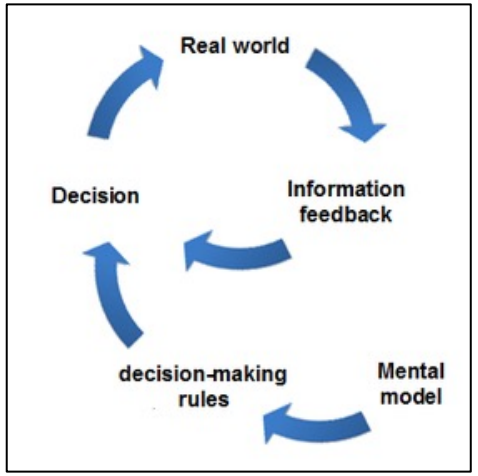
#9

Culture eats strategy for breakfast

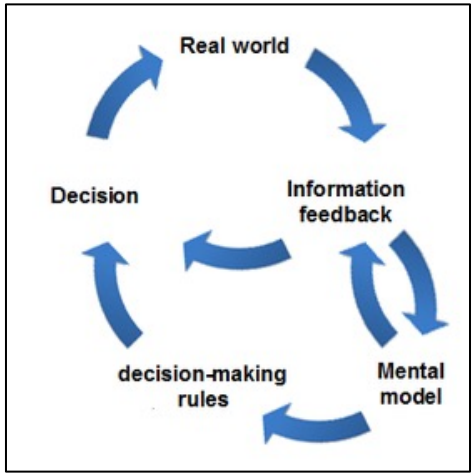
- Peter Drucker

A **learning culture** is a set of organizational values, conventions, processes, and practices that encourage individuals — and the organization as a whole— to increase knowledge, competence, and performance

Single Loop



Double Loop



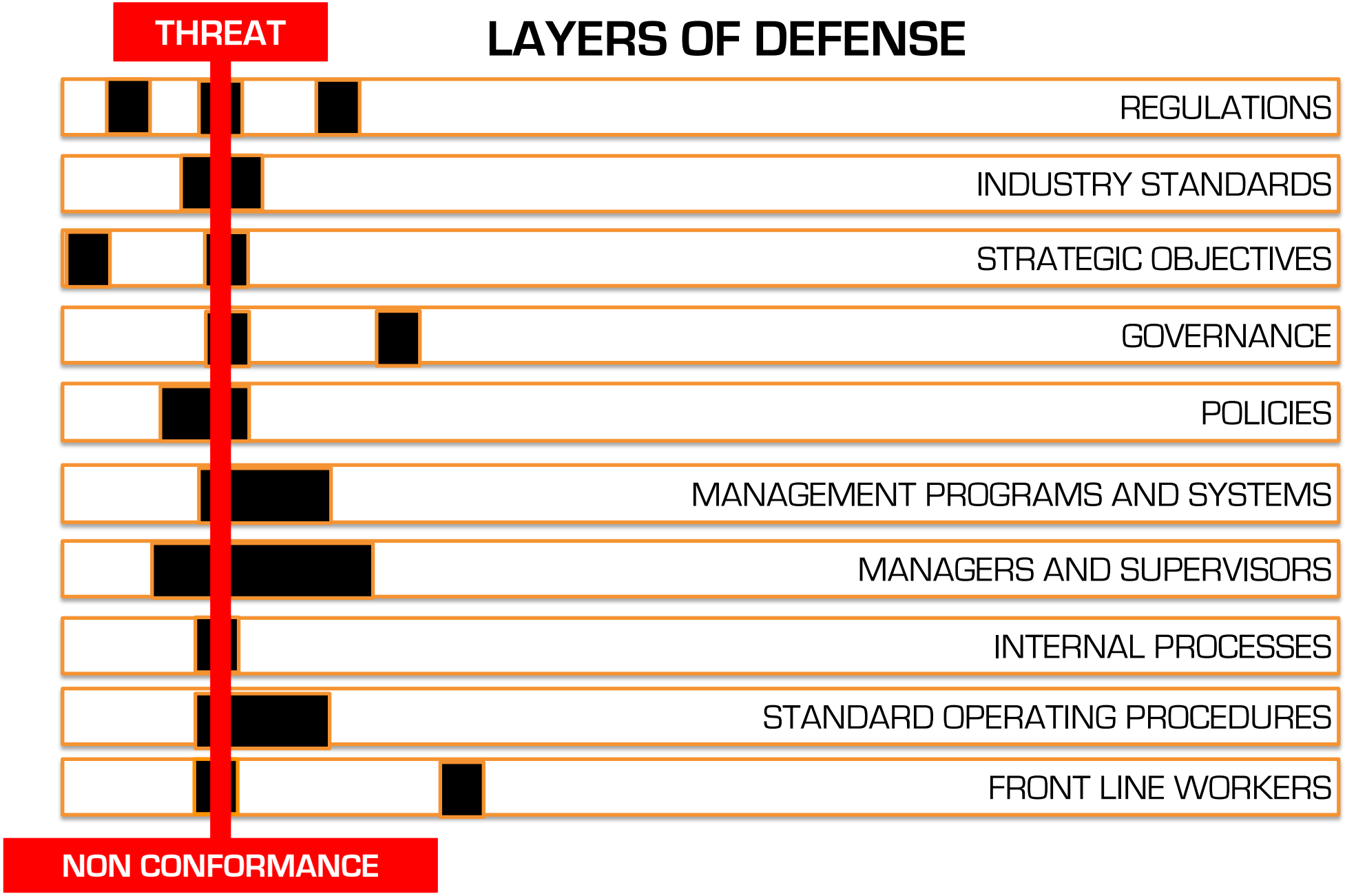
10. Always strengthen your ability to maintain compliance

LEAN COMPLIANCE

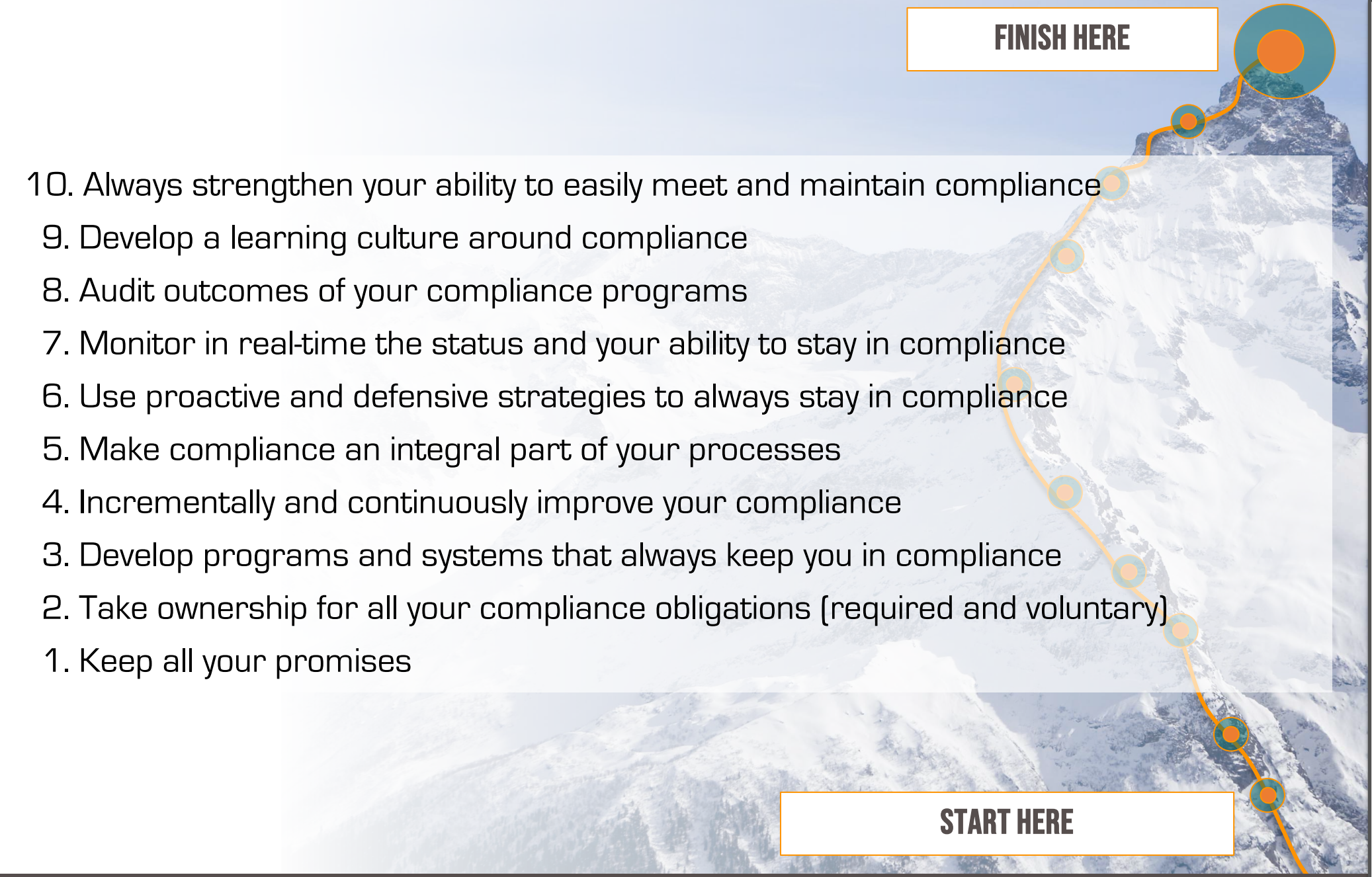
10 Rules For Effective Compliance

#10

LAYERS OF DEFENSE



STRENGTHEN YOUR DEFENSES



10. Always strengthen your ability to easily meet and maintain compliance
9. Develop a learning culture around compliance
8. Audit outcomes of your compliance programs
7. Monitor in real-time the status and your ability to stay in compliance
6. Use proactive and defensive strategies to always stay in compliance
5. Make compliance an integral part of your processes
4. Incrementally and continuously improve your compliance
3. Develop programs and systems that always keep you in compliance
2. Take ownership for all your compliance obligations (required and voluntary)
1. Keep all your promises

LEAN COMPLIANCE

10 Rules For Effective Compliance

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Founder,
Chief Compliance Engineer
www.leancompliance.ca



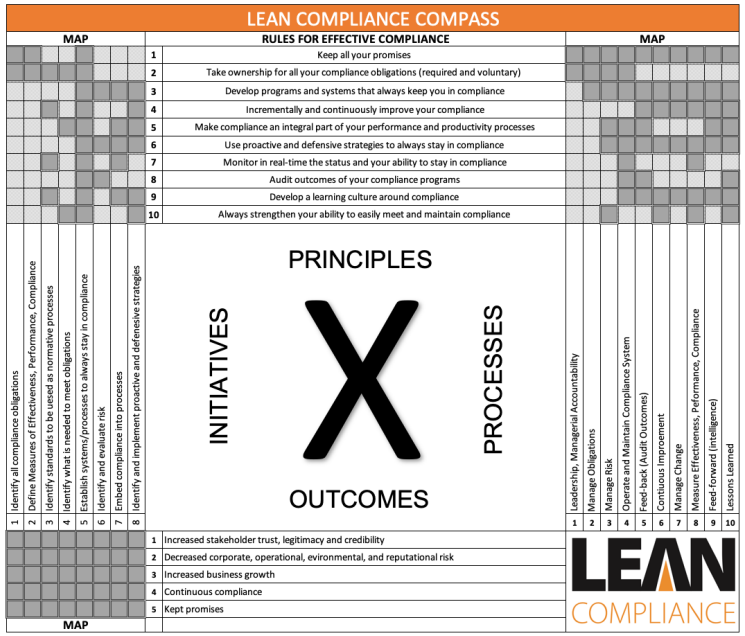
TIME TO HEAD FOR BASECAMP

THE PROACTIVE CERTAINTY PROGRAM™

bootcamp@leancompliance.ca

INITIATIVES:

1. Identify all compliance obligations
2. Define measures of effectiveness, performance, and compliance
3. Identify standards to be used as normative processes
4. Identify what is needed to meet obligations
5. Establish systems / processes to always stay in compliance
6. Identify and evaluate risk
7. Embed compliance into your processes
8. Identify and implement proactive strategies



PROCESSES:

1. Leadership, managerial accountability
2. Manage obligations
3. Manage risk
4. Operate and maintain compliance system
5. Feed-back (Audit outcomes)
6. Continuous improvement
7. Manage change
8. Measure effectiveness, performance, and compliance
9. Feed-forward (intelligence)
10. Lessons-learned

Compliance Improvement Roadmap

OUTCOMES:

1. Increased stakeholder trust, legitimacy, and credibility
2. Decreased corporate, operational, environmental, and reputational risk
3. Continuous compliance
4. Kept promises

12-week program
4 hours per week

EFFECTIVE COMPLIANCE BOOTCAMP



www.leancompliance.ca

bootcamp@leancompliance.ca