



## How Can Compliance Add to the Bottom Line?

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Many Los Angeles and Southern California executives view regulatory compliance as little more than a required regulatory burden that costs both money and manpower — a necessary evil, if you will. They believe that the time and money that must be spent on compliance could be better spent on other revenue-generating activities.

But a new survey of senior finance and HR executives indicates that a growing number of them now believe effective compliance programs can deliver as much carrot as they do stick. Of course, compliance helps companies avoid negatives like sanctions, lawsuits and fines. But many executives also see tangible benefits and measurable returns in effective compliance that can contribute directly to the company's bottom line.

### Tangible Benefits of Effective Compliance Programs

About half of the executives who responded to the survey<sup>1</sup>, which was conducted by CFO Research in collaboration with ADP, said they believe there are tangible benefits that accompany strong management of compliance programs. They believe that compliance programs can help them in the following specific areas:

Wage payments processing	64%
Employment verification	56%
Employment-related tax credits	56%
Employment tax processing	52%
Unemployment claims processing	50%
Healthcare reform reporting and employee communications	48%

Meanwhile, the following percentages of executives said they believe a strong compliance program has a positive impact on these intangible dimensions of the company's overall performance:

Employee satisfaction	70%
Quality of workforce	67%
Employee engagement	63%
Corporate brand or reputation	55%
Product or service delivery	54%

Finally, the executives who ranked compliance as a higher priority tended to believe that their company better manages their compliance efforts. Among those who said that compliance is a top priority, two-thirds graded their compliance efforts as an A or a B. But among those who said compliance is a low- or non-priority, about half graded their compliance efforts as a C. (No executives graded their compliance efforts lower than a C.)

## Survey Takeaways

One takeaway from this survey is the implication that the burdens of compliance reporting go beyond just the constantly changing compliance rules and regulations. The way that companies *approach* compliance reporting seems to have just as much of an impact on how burdensome it is and whether companies are able to derive tangible benefits from their compliance programs.

Companies that approach compliance on a short-term, ad hoc basis tend to get the least operational benefit out of it. They are also the companies that often find themselves struggling to keep up with the ever-changing rules and regulations. Conversely, companies that take a longer-term view of compliance as a continuous process and growth opportunity can usually boost their overall business performance through the effective management of their compliance programs. Tangible improvements include improved operational efficiency, more employee productivity and engagement, better risk management and higher profitability.

Another survey takeaway is that companies can create a less isolating and more transparent environment by approaching compliance proactively and consistently, and in an integrated manner with the rest of the company's operations. Doing so, however, requires that executives set the right tone at the top of the organization with regard to compliance so this tone can filter down through the rest of the organization.

Improving compliance management and reaping tangible benefits from compliance programs will require not just a change in attitude among executives and staff — it will also require hard-dollar investments by your company. This includes the costs involved in hiring and training the right employees with strong skills in managing compliance operations who can lead and help execute the initiative.

## Concluding Thoughts

A new survey of senior finance and human resource executives indicates that regulatory compliance can be more than just a necessary evil. Many of the survey respondents said that they see tangible benefits and measurable returns in effective compliance that can contribute directly to the company's bottom line. Companies can create a less isolating and more transparent environment by approaching compliance proactively and consistently, and in a manner integrated with the rest of the company's operations. An outsourced CFO services provider can help you improve compliance management and reap tangible benefits from your compliance programs.

<sup>1</sup>"The Bottom Line: Highlighting the Benefits of Investing into an Employment-Related Tax and Payment Compliance Strategy"; CFO Research, in collaboration with ADP; April, 2014; <http://info.adp.com/content/bottom-line-on-compliance>

## About CFO Edge

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