

# Return on Compliance

## Compliance as a success factor: what boards need to know

Ensuring compliance is integral to good corporate governance and a key task for any board of directors. An Innosuisse-funded research project, conducted by the Institute of Financial Services Zug at Lucerne University of Applied Sciences and Arts and the Swiss Institute for Entrepreneurship at the University of Applied Sciences of the Grisons, provides empirical evidence for the first time that successful compliance is not just a regulatory obligation, but also has a measurable impact on a company's success.

For board members, this means that compliance is about much more than simply meeting legal requirements; the topic is becoming a strategic value driver that you can actively manage through various clear levers. In this article, we share a science-based compliance model, providing key findings and practical recommendations to help you strengthen the board's duty of overall management and oversight – and actively shape the success of your company.

### Compliance – a core board task

According to Art. 716a para. 1 Swiss Code of Obligations, overall management of the company is a non-transferable and inalienable duty of the board of directors. This includes, but is not limited to, supervising the persons entrusted with managing the company, in particular with regard to compliance with the law, articles of association, operational regulations and directives. Compliance is therefore an integral part of the board's work as the supreme management body. Besides obtaining regular reports from the executive committee on compliance issues, the board of directors' responsibility is above all to ensure that an effective compliance management system (CMS) is in place, and to establish corresponding principles within the company.





## The Compliance Success Model: creating measurable value for company success

The Compliance Success Model – developed in cooperation with several business partners – is based on comprehensive surveys of over 350 Swiss companies of various sizes and sectors. The new model shows how compliance serves as a strategic success factor and, for the first time, provides empirical evidence of the link between successful compliance and corporate success.

Statistical methods were used to identify eleven key levers that explain between 70 and 80 percent of the variance in compliance success (see Figure 1). This high explanatory power emphasizes the effectiveness of targeted steering measures, which can be divided into three levels of priority:

- **Group 1:** Highly relevant levers that are indispensable for compliance success; these include in particular the integration of compliance into decision-making processes, the compliance-related expertise of employees and the adaptability of compliance.
- **Group 2:** Moderately relevant success factors with effects that are supportive but can be compensated to some extent.
- **Group 3:** Factors with a lower individual impact, often framework conditions or procedural aspects.

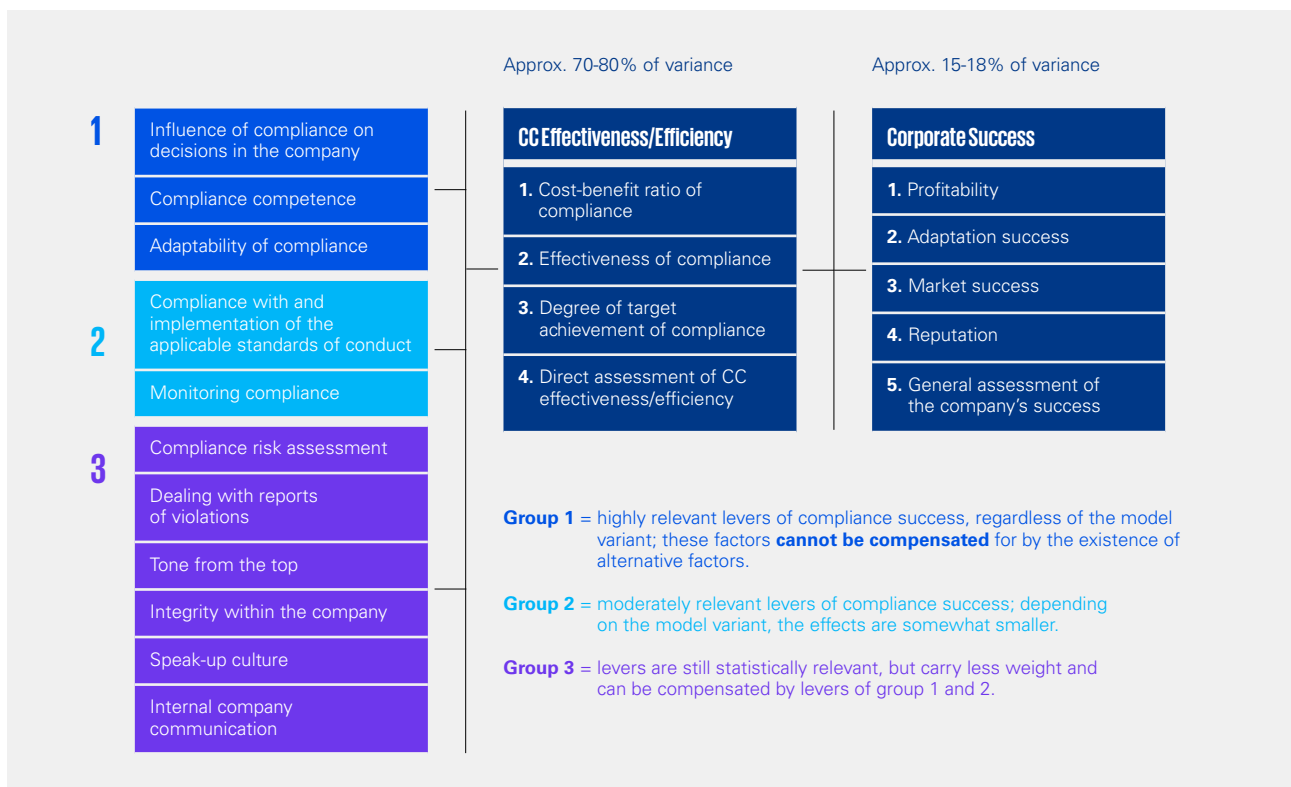


Figure 1: Key findings of the Compliance Success Model

A high level of compliance maturity also has a significant influence on a company's success. Successful compliance explains around 15 to 18 percent of the variance in a company's success – once again a significant impact.

These research results underline the fact that compliance can no longer be seen merely as a necessary cost center. Instead, compliance is becoming a measurable value driver that enhances reputation and increases customer satisfaction and profit in the long term. This makes compliance a business case of strategic importance and one that boards of directors should actively champion and manage.

### Focus topics for the board

The following five topics are particularly relevant for boards of directors:

#### 1. Integration of compliance into strategic decision-making

You should make sure that compliance is incorporated into strategic and operational decision-making.

This improves the quality of decisions, encourages collaboration and signals that compliance is firmly anchored in the corporate culture.

#### 2. Ensuring company-wide compliance competence

Ensure that employees at all levels have the necessary knowledge and awareness of compliance. Practical training, clear guidelines and supportive leadership are crucial. You are responsible for ensuring that managers lead by example and actively practice compliance.

#### 3. Enhancing the adaptability of compliance

Being able to respond proactively to new legal requirements and market developments makes all the difference. The compliance function should be flexible and work closely with your operational units. As a board member, you should make sure that the necessary resources and support are in place.

#### 4. Monitoring of code of conduct implementation

You are responsible for promoting ethical behavior within the company through clear guidelines, incentive systems and regular monitoring. Avoid misguided incentives that could encourage rule-breaking. Corporate culture and the "tone from the top" are powerful levers here.

#### 5. Establishment of effective compliance monitoring

You should ensure that any shortcomings in compliance are quickly identified and rectified. A reporting system that provides timely and transparent information is essential. Clearly define responsibilities and conduct regular audits to assess the effectiveness of the CMS.







### Recommendations for successful compliance governance

- Work with your executive committee to develop a compliance framework and ensure that it is implemented consistently.
- Request regular, comprehensive compliance reports and put compliance on the fixed agenda for your board meetings.
- Promote a culture that recognizes and supports compliance, and makes it a cornerstone of sustainable business success.
- Regularly review the resources and independence of the compliance function.
- Take part in compliance governance training to support the diligent execution of your overall management and oversight duties.

### Conclusion: Compliance is a leadership and oversight responsibility

Compliance is not an annoying cost factor; it is a strategic value lever – and its importance continues to grow in today's world. As a member of the board of directors, it is your legal and ethical responsibility to manage compliance systematically, efficiently and effectively – both to secure sustainable corporate success and to reduce your personal risk exposure.

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