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The misunderstood role of compliance programs in small and medium enterprises

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I have been running my own business for more than two years. During this period, I have met a lot of entrepreneurs and directors, all of them working directly or indirectly with small and medium enterprises (SMEs), organizations with 250 employees maximum. I have had hundreds of discussions about fraud prevention and compliance. My verdict, after two years of business, is that there is a common lack of understanding about the added value of a compliance program.

Compliance is a revenue center

SMEs' only objective is to gain market share. This is totally reasonable. It is actually the objective of any company to make a profit and expand; however, the method of doing this is rarely properly thought out and harmonized within that company. In SMEs, compliance and fraud prevention are rarely discussed at the board level. This is often brought to light when a company has survived a fraud incident. SMEs can benefit from a compliance program in different ways that will increase the wellbeing of their employees and contribute to a sounder supply chain. Compliance is all about making sure a business adheres to rules, regulations, and laws.

A compliance program is seen as a cost center, because it needs resources to function properly, it does not generate immediate revenue, and it is a substantial administrative burden. It is also difficult to measure, unless you can perform regular internal surveys questioning employees on their experience.

Compliance programs contribute expertise in reducing business risk. Any risk, as it is occurring, is costing money. Take the example of business ABC operating in countries where corruption is endemic. If they have no anticorruption program, employees are more likely to accept that corruption is part of local business. The company has not mitigated any risk and would have no line of defense if an act of corruption was alleged. But ABC has a competitor business, XYZ, which has spent time, money, and effort to install a compliance program and keep it live. Its employees are trained and attend regular refreshers, and do not accept that corruption is part of local business. Business XYZ has put in place safeguards to protect its assets and employees, and it would have a good line of defense if an act of corruption was alleged. The resources invested generate a return on investment that can be measured in business sustainability in the long term.

A compliance program generates corporate harmony. When we work with individuals, each of us brings a different background and personality. However, any SME also has its own culture and expectations, so a compliance program allows the creation of concord and generates the same responsive attitude.

In addition, SMEs that have a compliance program should communicate about it to their clients, suppliers, and other stakeholders. The compliance program will generate an increase in trust, and your company will be seen to be doing the right thing. Your clients will feel secure working with you. Compliance should be part of your set of selling points and should have a positive effect on your competitiveness.

Therefore, compliance is a serious revenue center.

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