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Bailey Mack (bmack@berkshirefarm.org) is a Chief Compliance Officer for Berkshire Farm Center and Services for Youth in Canaan, New York, USA.

The crucial role of lateral leadership when navigating compliance

By Bailey Mack, CCEP, CHPC

Compliance is no longer a buzzword; it is now seen within all industries as an essential business aspect. It is the backbone of ethical and legal business operations. Yet, that doesn't mean that all leaders support a truly developed, comprehensive compliance program. And as I have experienced myself (and heard numerous stories from colleagues), team compliance can become stagnant or, worse, ineffective without the buy-in of the lateral leadership.

Ensuring adherence to your industry's regulations and policies is not solely the responsibility of a dedicated compliance team or, in many cases, one individual. Lateral leadership—which involves leaders at various levels of an organization who may not have formal authority but possess significant influence—plays a pivotal role in this domain. The challenge often lies in getting these leaders on board—especially when they view compliance as an oversight impinging on their autonomy.

In today's business environment, compliance is synonymous with risk management, operational efficiency, and maintaining an organization's integrity. Legal implications of noncompliance can lead to hefty fines and legal battles. Beyond the legal realm, compliance safeguards the organization's reputation, the safety of clients, and the support of staff—imperative in an era where consumers and investors increasingly favor ethically operated businesses.

Lateral leadership's role in compliance

With their influence over team culture, lateral leaders are in a unique position to model and reinforce compliant behaviors.

Please note that the term used is “reinforce” and not “enforce.” Holding those accountable and demonstrating the value of compliance through reinforcement is the most effective way to influence a compliance culture. When an organization forces people to be compliant without adequate support, employees may adhere to the letter of the policy; however, the moment they can find a loophole, they are likely to take advantage of it. Hence, lateral leaders are key in shaping and reinforcing the organization's culture.

Compliance is as much about mindset and behavior as it is about following rules. These leaders can set the tone for a compliance-oriented culture through their day-to-day interactions and decision-making processes. Lateral leaders can demonstrate the value of compliance, thereby influencing their peers and team members to prioritize and adhere to compliance standards. It's these leaders working cross-functionally and having a good understanding of various departmental operations that bridge the gap between the compliance requirement and the “why it's important.” They can effectively communicate the importance of compliance to their peers and

team members, clarifying how it applies to different aspects of the organization's operations and making it relatable to the staff's functions.

Different departments may face unique compliance challenges and requirements. With their in-depth understanding of their specific domains, lateral leaders can tailor compliance strategies to fit their department's needs while aligning with the organization's overall compliance objectives. This customization ensures compliance is not just a top-down mandate but is integrated into the department's specific processes and workflows. Additionally, this lateral support allows for operational expertise of their business line and can identify potential compliance risks that may not be visible at the level of the compliance officer. Their hands-on approach allows them to spot issues early and proactively mitigate risks before they escalate into larger problems.

Associated with their operational expertise, lateral leaders can offer valuable feedback to the compliance team on the effectiveness of compliance policies and procedures. Their insights can help refine compliance strategies, making them more practical and applicable.

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