



Why it makes business sense to outsource compliance

Compliance is essential to every business. In short, all industries and businesses at certain levels are required to comply with some form of legal regulations, failing which can lead to huge financial losses. In addition, it is important to note that ethical business practice is necessary to attract and retain young talent. Companies can ill afford not to stay competitive in terms of staff retention in today's highly competitive job market.

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Getting an organisation compliant with new or even existing regulations and / or industry standards is a responsibility that needs to be entrusted with a highly ethical and experienced individual that offers strategic support with a long term view of the organisations mission. Employing the wrong people in this area is not only time consuming but can have major financial and operational implications. For example, JPMorgan alone has paid a total of \$36 billion in settlements and fines since 2008. This statistic speaks for itself.

The field is specialised and the risks are often tremendous and thus require a great deal of understanding not only of the legal implications of regulatory requirements, but also the ability to

translate the regulations, identify the specific company's risks and develop a workable plan that can be successfully managed and implemented. Despite compulsory compliance, in some instances it may just make sound business sense to ensure such compliance regardless of whether it may be mandatory or not. For example ISO14001 is an environmental management standard internationally applied and recognised but not a legal requirement. The benefit of becoming compliant with such a standard lies in gaining a competitive advantage. With mounting pressure the world over on companies to focus on sustainability, an organisation can gain competitive advantage through observing such a standard and acknowledging its importance in terms of the triple bottom line of corporate governance and ultimately corporate sustainability.



"If you think compliance is expensive – try non-compliance"
 Former U.S Deputy Attorney General Paul McNulty

For many industries, compliance has been around for decades and is synonymous with sound operations. However with the advent of globalisation and the growing number of regulations in the financial and corporate sphere, the field has become a necessity for almost every business. Compliance as a field of specialisation has grown significantly over the past few decades not only as a recognised field, but also in terms of its value and contribution to an organisation in identifying risks and ultimately reducing unnecessary expenditure due to non-compliance.

In several industries, we require the services and expertise of a compliance officer or compliance manager. Compliance refers to the organisation's responsibility to comply with the legislative and regulatory requirements specifically applicable to them. When weighing up whether to outsource or appoint a permanent employee, the monthly costs for an outsourced company may seem high at first glance, but there are several factors that are often overlooked.

The direct cost of recruitment, training and development as well as retention and management are often overlooked especially with regards to the cost of time associated with these tasks. One must also consider the operational costs and implications associated with both unsuccessful recruiting and in general that impact the day to day running of the business such as leave, supervision and management, lack of productivity, stagnation, subjective bias and staff turnover that often disrupt business operations. When considering asking the question whether or not to outsource compliance, the organisation should take into account the following factors:

1. Autonomy

An outsourced compliance officer is independent of your organisation, which means that the findings and recommendations are completely objective and are not made for any form of personal gain. Outsourcing ensures the highest ethical standards as the compliance consultant is bound to adhere to the standards of their consultancy firm who are most often members of a compliance regulatory body. With outsourcing, the consultant is not reliant on the organisation for their income or career growth. Services are performed in line with the standards set out by their firm which should be set out in a formal proposal outlining the objectives and needs of the organisation. It is about getting the job done, building and maintaining good client relations through always providing top quality service and advice and acting in the organisations best interests. The independence factor ensures that the organisation's best interest is priority and that integrity and ethics are maintained at all levels without soft issues hampering the process.

2. Objectivity

Tying in with the independence factor, objectivity is vital in terms of compliance. The compliance officer is not here to echo your voice or opinion. The compliance officer is expected to be objective and provide an opinion and advice based on legislation, experience and the regulatory requirements applicable to the organisation. Subjectivity and bias are not only dangerous to the organisation in terms of inaccurate findings but also in providing a false sense of compliance. Having an objective and independent view on compliance significantly reduces the risk within an organisation.

3. Reduced Operational Costs and Resources

Outsourcing reduces recruitment costs, therefore overhead and operational costs can be minimized. The organisation has the option to keep the outsourced company on retainer or at an hourly rate,

which can greatly benefit the organisation in terms of 'paying a salary' even if there is less work. Here you get exactly what you pay for. In addition to this, the cost of managing this area of the business is avoided since the service is self-managed.

4. Reduced Labour and HR costs

The outsourced compliance company is a 'supplier' and managed according to the contract entered into and the level of service rendered to the organisation. Recruitment costs are eliminated, which for most companies mean hundreds of thousands of Rands. Another benefit of outsourcing compliance, is that the contract can be terminated, usually with one month's notice, and that's that, the end, no dismissal procedure and no CCMA. This allows the organisation staffing flexibility.

5. No need for Training and Development

You as an organisation, are responsible to send employees for training and to continuously develop their skills and knowledge. When outsourcing compliance, no training is necessary, as the compliance company employees experienced individuals who are responsible for their own training and development.



6. Learning from the Compliance Company

Your organisation's employees are exposed to and work alongside a professional person, with experience in not only one field, but multiple industries, sectors and have a global view on practically implementing compliance measures. In that way your employees are getting on the job training without you lifting a finger or paying additional for training.

7. Expertise & knowledge

When employing an independent contractor, your organisation is presented with a set of concentrated skills and knowledge, which will ensure the best possible advice and guidance in terms of compliance management. This is one area where you cannot afford to drop the ball. More than ever regulatory

compliance is on the increase, not only locally but on a global scale, you cannot afford not to have an expert in this area of your business.

In conclusion, the decision to outsource must ultimately be considered in conjunction with the overall needs and strategy of the company. The organisation needs to weigh up all the factors mentioned above as well as the level of urgency, resources and risks. Outsourcing is for most part the better choice when looking at specialised services and departments within the organisation which do not form part of the core business and where a high level of expertise and autonomy is required.

Contact us to outsource your legal compliance. Our services include corporate governance, legal drafting, legal advice, training, legal compliance assessments as well as HR and labour-related matters.