Cornerstone
COMPLIANCE

Compliance Challenges for Today's Talent Managers

Cornerstone OnDemand
Whitepaper Series

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Compliance Challenges for Today's Talent Managers

Introduction

Today, companies in a wide range of industries must expend extraordinary amounts of time and capital to conform to a host of regulatory requirements. Applicable regulations may include requirements of the Financial Industry Regulatory Authority (FINRA, previously called the National Association of Securities Dealers [NASD]), the Sarbanes-Oxley Act (SOX), the Health Insurance Portability and Accountability Act (HIPAA), U.S. Food and Drug Administration (FDA), The Joint Commission's HR standards (formerly known as JCAHO), Basel II, and many others.

Additional compliance pressures can result from internal policies (HR guidelines, for example), continuing professional education, industry best practices, or business partner requirements. Depending on the industry, companies may routinely need to address renewal-based certification, licensing, and accreditation to sustain their business. Despite the increasing complexity of this regulatory landscape, savvy companies are turning to technology solutions to help reduce compliance costs, increase compliance rates, and minimize exposure to risk.

The Regulatory Landscape

No matter which industry or type of business they address, most regulations have a common goal: to safeguard the public by requiring organizations to adhere to certain standards. When the U.S. Congress passed SOX legislation in 2002, its goal was to protect investors from the financial missteps of another Enron by requiring changes in the accounting practices that had allowed such abuses to occur. Likewise, HIPAA was designed to protect the health care information of individuals by requiring organizations to implement security standards governing the electronic exchange of patient data. Few industries are completely immune to compliance concerns.

Although the cost of regulatory compliance can be steep, failure to comply with applicable regulations can prove even more expensive. In response to reports of data breaches and increasing pressure to protect the personal information of consumers, for example, multiple regulations now require companies to secure the data in their possession or suffer financial and business consequences for failing to do so. A highly publicized data breach in early 2007 by retail giant TJX that affected 94 million credit card accounts may end up costing US$1 billion. Not all resulting costs are purely financial, either. A group that studies actual data breaches indicates that "customer opportunity costs" (turnover of existing customers and increased difficulty in acquiring new ones) rose more than 30 percent in one year.

Adding to this already hefty burden, organizations in industries from financial services to healthcare fall under increasingly strict licensing and certification requirements. Already one of the most highly regulated industries, healthcare organizations now must be prepared for random surveys by The Joint Commission responsible for accreditation, forcing them to maintain a constant state of readiness. Even the absence of formal regulations in an industry may not allow companies to relax. In the biopharmaceutical industry, for example, suppliers that are not subject to FDA oversight may still be audited by their clients. The need to fulfill obligations to everyone from suppliers to customers, support industry standards groups, and conform to myriad regulations has transformed compliance from a "value-add" to a business necessity.

Compliance Trends

The advent of new legislation and subsequent compliance reporting is a fact of life for companies in all regulated industries. In fact, one of the key trends in data management is the continued focus on governance in response to rising compliance requirements. The need to manage information in such a way that an organization can track what data was used to make a strategic business decision is a universal goal. In addition, managers need near-real-time reports rather than static information to gain an accurate picture of their business and inform their planning.

Increasingly, companies are relying on software solutions to help meet their compliance requirements. In fact, FINRA hosted a compliance technology conference earlier this year to highlight the latest tools available to securities firms for regulatory compliance. Over the years, technology can even help reduce the cost of compliance. For example, a recent survey on the cost of SOX compliance revealed that it declined by 23 percent in fiscal 2006; as much as 40 percent of the cost reduction reportedly came from automated controls that replaced manual processes.

1   Eddy, Nathan, "Banks Say Scope of TJX Breach Doubles First Estimates," CMP Media: http://www.crn.com/security/202601254
2   The Ponemon Institute, "2006 Annual Study: U.S. Cost of a Data Breach," October 2006
3   Hogan, Hank, "Cutting the Cost of Compliance," September 1, 2007: http://www.controleng.com/article/CA6475621.html
4   "Enterprise data management trends 2007," January 16, 2007:
    http://searchdatamanagement.techtarget.com/originalContent/0,289142,sid91_gci1239146,00.html
5   Emerson, Bryant, "NASD Compliance Technology Conference, NYC," April 13, 2007:
    http://www.starlightcapital.com/blog/ny041307
6   McGillicuddy, Shamus, "Sarbanes-Oxley compliance costs drop, better processed credited," May 29, 2007:
    http://searchsmb.techtarget.com/originalContent/0,289142,sid44_gci1256600,00.html

Organizations are discovering there are other business benefits to be gained from adopting technology compliance solutions:

✅ Better documentation – Automated logging and reporting functionality can enhance trouble shooting and provide proof of compliance for audit purposes.

✅ Comprehensive data collection – Focused cataloging of customer, corporate, and employee data can be used for financial planning, HR, or marketing initiatives.

✅ Consistent data – Aggregated data can be shared across the organization via dashboards, simplifying operations and ensuring everyone uses the same information.

✅ Repeatable processes – Documented workflow and processes can boost quality and consistency, eliminate product defects, and reduce rework.

✅ An holistic view – Streamlining manual activities via an automated solution can provide a comprehensive view of the organization across all business units.

✅ Shared resources – Adopting a centralized compliance platform can allow departments to share compliance efforts, eliminating the drain on resources.

✅ Focus on core competencies – Adopting an automated solution lets companies devote less time to the mechanics of compliance and more to their actual business.

According to Bersin & Associates, organizations typically need to solve three general types of business problems :

1 Automation – To reduce the cost of errors, save time, reduce paper and better meet compliance requirements

2 Process improvement – To better implement or improve existing processes because the software will facilitate a more integrated and complete, data-rich (current and historical) approach to a given process

3 Business and talent breakthroughs – To gain the ability to do things not previously possible

Before selecting a technology solution, an organization should determine which system is capable of solving the specific problems it has identified and which has the specific features that will work with the company's existing infrastructure, workflow, and business processes.

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7   Adams, John, "Leverage Compliance: Following the Rules Can Really Pay Off," February 1, 2007:
     http://www.americanbanker.com/$nocookies$/article.html?id=20070129WA7VBCOY&queryid=1014203795&hitnum=49
8   Bersin, Josh, "How to Build a Talent Management Systems Strategy," Bersin & Associates Research Bulletin, Vol. 2, No. 28,
     October 23, 2007

Cornerstone Compliance – On-Demand Management Tools

Cornerstone Compliance provides on-demand compliance management tools to reduce the cost, complexity, and administrative overhead associated with meeting regulatory demands. Cornerstone Compliance enables organizations to develop highly flexible compliance programs with powerful real-time reporting and 24x7 employee access to meet virtually any regulatory or licensing mandate

Cornerstone Compliance automates the administration and management of compliance processes, transforming an administrative responsibility into potential cost savings and business improvement while minimizing risk.

The Cornerstone platform addresses the following compliance areas:

	One-Time Requirements	External example: anti-money laundering Internal examples: HR policies or IT security training
	Ongoing, Multi-Year Requirements	A toolset to support any type of renewal-based certification, license, or permit, including CPA, CFP, and CME/CLE/CPE learning credits
	Audits	Automated survey tools for internal employee audits and direct, automated submission of forms to regulatory agencies like FINRA (formerly, the NASD)
	Enterprise Reporting	Comprehensive branch, divisional, and organizational roll-up reporting for unparalleled visibility into compliance activities

Customer Success: Financial Services

When a world-class leader in delivering global wealth management and financial planning services, decided to improve its compliance and regulatory management practices, the company turned to Cornerstone OnDemand.

Challenges:
• Minimize risk
• Improve tracking of employee competencies and certification completion
• Streamline development of compliance elements\

Solution:
The Cornerstone Compliance platform tracks recurring, renewal-based, and multi-year internal certifications. The solution provides real-time detailed training plans and generates internal audits.

Results:
• Greater visibility and control over compliance management
• The ability to track external certifications

Cornerstone Compliance automates the administration and management of compliance processes, transforming an administrative responsibility into potential cost savings and business improvement while minimizing risk.

Customer Success: Insurance

A leading provider of risk management services, insurance and reinsurance brokerage, human capital and management consulting, and specialty insurance underwriting, needed to replace home-grown procedures and processes to better manage compliance training.

Challenges:
•Rapidly train almost 30,000 employees on certification and licensing requirements as mandated by government, industry associations, and internal corporate governance
•Conduct extensive, detailed reporting for compliance requirements

Solution:
With the help of Cornerstone OnDemand, the company designed and rolled out competency assessments to designated employees. Following the assessment process, the company was able to streamline its training and certification process to the remaining staff.

Results:
•The ability to provide and report on mandated compliance training
•Implementation of a global learning system supporting multiple countries and languages
•Achieved 100% compliance rate

Realizing the ROI of Automated Compliance Management

Cornenerstone Compliance platform delivers immediate results to companies operating in regulated environments. This audience includes global organizations facing stern governmental regulatory pressure as well as smaller companies that want to monitor proprietary internal policies and directives.

The impact of deploying Cornerstone goes straight to the bottom line because the system:

▼ Reduces costs
▲ Increases compliance

Because the Cornerstone platform is delivered via the on-demand model, implementation of the system is straightforward, rapid, and cost-effective.

Cornerstone Reduces Costs

By deploying Cornerstone, companies can expect to see rapid return on investment through cost reductions across three primary areas:

• Lower cost of delivery by moving compliance training online, cutting costs associated with traditional training and compliance programs such as instructors, lodging, and travel.

• Lower opportunity costs through more efficient, more targeted, more effective training and reporting.

• Lower administrative costs by automating key (formerly time- and labor-intensive) processes and enabling reduction of personnel headcount (typically a population of 20, 000 employees requires only a single full-time Cornerstone administrator).

Cornerstone Increases Compliance

By deploying Cornerstone, companies can increase compliance and minimize risk across all types of regulated and internal programs by increasing visibility at all levels of the organization:

• Employees have better visibility into their compliance responsibilities through automated e-mail reminders and personalized online portals with real-time detailed training plans.

• Line managers have better visibility into the compliance status of their subordinates through detailed reporting accessible anytime, automated e-mail reminders, and the ability to assign and track specific training.

• Business unit heads and in-country compliance staff have better visibility into compliance status for lines of business, divisions, or branches through comprehensive reports, dashboards, and the ability to run internal audits.

• Executives have increased visibility through centralized, roll-up reporting across large, decentralized organizations.

Cornerstone OnDemand

About Cornerstone Compliance

Today's corporate enterprise falls under increasingly strict licensing and certification requirements. Cornerstone Compliance automates the administration and management of these processes and provides clear, real-time visibility into compliance activities to allow progressive organizations to transform an administrative headache into a valuable area for cost savings and business improvement, while all the time minimizing risk.

About Cornerstone OnDemand

Cornerstone OnDemand helps organizations to empower their people and optimize workforce productivity by offering a comprehensive suite of talent management solutions for learning, compliance, performance, compensation, and succession management, as well as robust reporting and analytics. Cornerstone also provides over 30,000 pre-integrated training titles. The Company's multi-tenant, multi-user software as a service (SaaS) architecture provides customers with rapid deployments, minimal IT costs, flexibility, reliability and a lower total cost of ownership. Cornerstone's triple-digit growth has been supported by a market-leading customer retention rate. For more information, please visit www.cornerstoneondemand.com.