Compliance Leadership Redefined

An Opportunity to Change the Game

An FTI Consulting & Ethico survey report published in January 2025

The findings of the 2025 *Compliance Leadership Redefined* survey show little change from the inaugural survey two years ago, which is consistent with other industry surveys over the same or longer time periods. While the lack of statistically significant growth may imply a lack of progress, it also displays the massive amount of unrealized potential still available to those who are willing to seize it.

We view this as a story of opportunity – as a prompt to ask why the results are what they are and what can compliance professionals change about their approach to have the influence and impact they want to have on the organizations they guide and support.

What better time than January 2025 to start changing the game?

FTI Consulting and Ethico's joint survey, *Compliance Leadership Redefined*, explores the growing challenges and trends shaping the compliance function as businesses navigate an increasingly complex regulatory landscape. This survey of compliance professionals is the second in a series of in-depth analyses, offering valuable insights into how compliance teams are adapting to regulatory changes, emerging risks, and evolving technologies, while providing actionable guidance for strengthening compliance programs, cultures and the profession.

More Recognize Culture's Role, Yet Struggle to Embed Compliance

Organizations increasingly recognize the importance of a strong culture in reducing compliance risks but struggle to embed ethics and compliance in their organizational cultures. Cultural challenges persist in about one-third of organizations, and efforts to improve the culture of ethics and compliance often fail to connect with broader strategic goals.
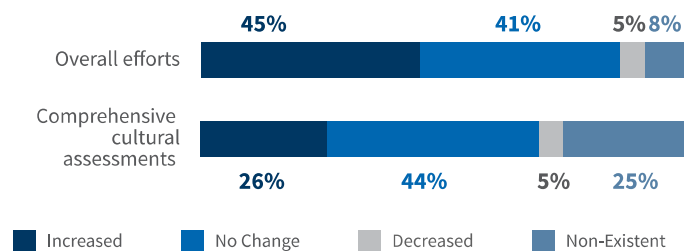
Almost half of compliance professionals report increased efforts to assess ethics and compliance culture over the past two years, and only one-quarter observe more comprehensive culture assessments being conducted, despite their perceived importance in maintaining an effective compliance program.

The disconnect between compliance and key performance indicators and the lack of influence in strategic decisions has persisted. To overcome this gap, it's critical that compliance professionals reposition themselves as strategic enablers and find new ways to articulate their value to leaders.

PERCEIVED IMPORTANCE OF ORGANIZATIONAL CULTURE

60%
say understanding of the importance of the right organizational culture for reducing compliance risks has increased in the past 12 months

- ■ Increased
- ■ No Change
- ■ Decreased

EFFORTS TO UPHOLD THE CULTURE OF COMPLIANCE

Overall efforts
45%   41%   5% 8%

Comprehensive cultural assessments
26%   44%   5%   25%

- ■ Increased
- ■ No Change
- ■ Decreased
- ■ Non-Existent

The Opportunity

Intentionally shifting a culture takes not only tone from the top (the easiest part), but also engagement from the middle, supporting data and an infrastructure that aligns compliance goals with accepted company values.

―

What can you do to get better data on your compliance culture? How can you demonstrate the value of your program in achieving strategic goals?

60% say ethics and compliance is not part of regular business discussions

59% say they do not have significant influence over incorporating compliance-related KPIs into performance management programs

50% say ethics and compliance are not being linked to overall business strategy or KPIs

The Disconnect Between Compliance and the Business Persists

A divide remains between compliance professionals and business leaders, similar to what was reported in 2023. This disconnect is particularly notable in leadership's understanding of the role of the CCO and the full scope of compliance risks. In some cases, this lack of understanding leads to pressure to downplay risks when presenting to the Board, which can undermine the effectiveness of the compliance program.

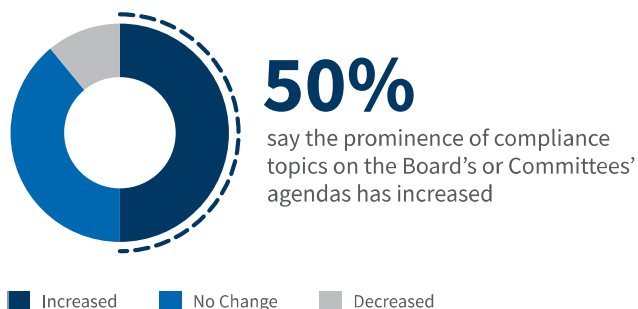### PERCEPTION OF SENIOR LEADERSHIP'S APPROACH TO COMPLIANCE

54% Leadership is more interested in efficiency than effectiveness

33% Leadership doesn't fully understand the role of Compliance within the organization

32% Leadership puts pressure to downplay the risks when presenting to the Board

30% Leadership does not fully understand compliance risks

THE BOARD'S FOCUS ON COMPLIANCE TOPICS

50% say the prominence of compliance topics on the Board's or Committees' agendas has increased

■ Increased   ■ No Change   ■ Decreased

SUFFICIENT TIME WITH THE BOARD OR LEADERSHIP

39% say they do not have enough time with the Board or leadership to adequately report on compliance status

■ Strongly Agree   ■ Somewhat Agree   ■ Disagree

There is a widespread belief that leadership prioritizes efficiency over effectiveness, which can lead to inadequate resources and lack of support for comprehensive compliance programs, making it difficult for compliance teams to address risks effectively. While Boards are showing greater interest in compliance, professionals struggle to communicate these complex topics within limited time. Success requires developing concise, compelling approaches that capture Board's attention and underscore the strategic value of the compliance function.

The Opportunity

Most CEOs and their direct reports are on board with the importance of ethics and compliance and will communicate that to the organization when asked. The missed opportunity is with the leaders two and three levels below the CEO who run the day-to-day business.

What can you do to engage and activate this army to understand how ethics and compliance enables their success?

CCOs Remain Sidelined with a Decreasing Role in Strategic Decisions

Over the past year, more compliance professionals have seen an increase in decision-making authority within their roles, reflecting a shift towards greater autonomy and operational responsibility. However, many still find themselves sidelined with a limited mandate that does not extend to influencing the strategic direction of the business. In fact, the share of compliance professionals who have significant input into the strategic direction of their business has decreased since 2023.

Compliance professionals continue to be excluded from key decisions in major sectors. Rather than viewing limited strategic input as a barrier, compliance officers can use their broadening operational role to forge partnerships that naturally lead to strategic influence.

49% say the decision-making authority of their personal role has *increased* in the past 12 months

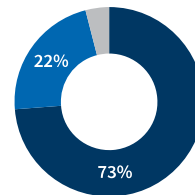### COMPLIANCE PROFESSIONALS WITH SIGNIFICANT INPUT INTO STRATEGIC DIRECTION OF THEIR BUSINESS

2023 **38%**
2025 **23%**

CHANGES IN ORGANIZATIONAL POLICY FOCUS AND COMPLIANCE INVOLVEMENT LEVELS

ORGANIZATION'S FOCUS | COMPLIANCE PROFESSIONALS' INVOLVEMENT

CYBERSECURITY
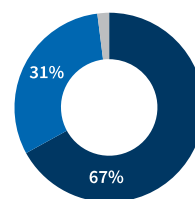
22%
73%

43% say they have significant input over designing data privacy and other cybersecurity-related policies
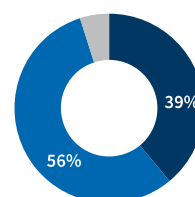
AI

31%
67%

35% say they have significant input over scoping and designing policy about use of Artificial Intelligence (AI)

ESG

39%
56%

37% say they have significant input over designing policies and processes relevant to ESG or sustainability reporting

■ Increased   ■ No Change   ■ Decreased

The Opportunity

These findings suggest that compliance professionals are still struggling to prove their value to the business. Start by articulating the value proposition of your function to advancing the business strategy. Then publicize it throughout the organization and build strong relationships along the way.
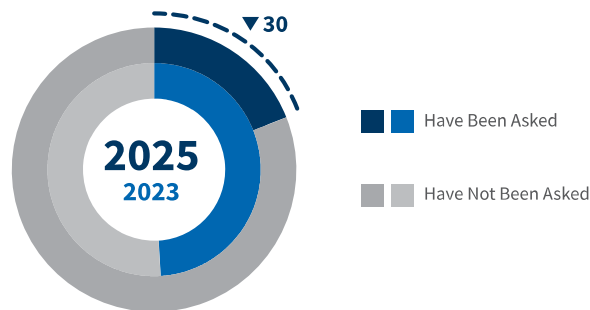
How do you need to reframe your story?
What conversations do you need to be in?
Whose sponsorship do you need to get there?
How can you push those doors open?

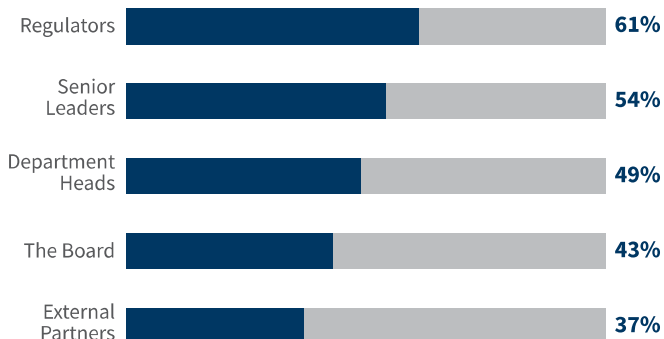## Pressure to Demonstrate ROI Has Given Way to Regulatory Scrutiny

Compliance teams are facing numerous challenges, with a lack of resources continuing to be the most prominent issue in managing compliance programs. Uncertainty around the regulatory burden and the rapid pace of regulatory change are making it increasingly difficult to effectively oversee these programs. These challenges are further compounded by heightened scrutiny from regulators and enforcement agencies, placing additional pressure on compliance professionals.

PRESSURE TO DEMONSTRATE ROI

19% have been asked by executive leadership to present ROI on their compliance program

▼30

2025
2023

■ Have Been Asked

■ Have Not Been Asked

Increase in Pressure Over Compliance Issues

Regulators	61%
Senior Leaders	54%
Department Heads	49%
The Board	43%
External Partners	37%

Nevertheless, leadership's expectation for compliance leaders to present ROI has decreased, highlighting compliance's shift from cost center to essential risk management. In this new state, most organizations now focus on measuring the strength of their compliance framework.

TOP 3 MEASURES OF COMPLIANCE PROGRAM EFFECTIVENESS

69% Tracking the number of reported potential compliance violations (via whistleblower hotlines)

56% Testing employees' knowledge retention at the end of each educational session

52% Tracking the number of actual compliance violations detected (not just reported)

TOP 5 CHALLENGES WHEN MANAGING COMPLIANCE PROGRAMS

59% Lack of resources (personnel, tools, technology)

36% Cultural issues within the organization

35% Increasing regulatory burden

31% Volume and pace of regulatory change

30% Evolving technologies and innovation within the Business that create risk

Compliance-related Budget Decisions are Spread Across Executives

Compliance professionals often have limited control over their program's budget, with funding decisions spread across multiple executives like the CEO, Board, general counsel, and CFO. In many cases, the compliance function itself has little influence over these allocations, similar to 2023.

Despite this, there is a noticeable trend towards increased investment in compliance. Over the past year, more than two-in-five professionals reported that the budget for compliance functions, including tools, technology, and personnel, has grown. The upward trajectory is less robust than in previous years but still indicates the increasing respect toward compliance as a business function. Compliance professionals should continue to find new ways to articulate their value.
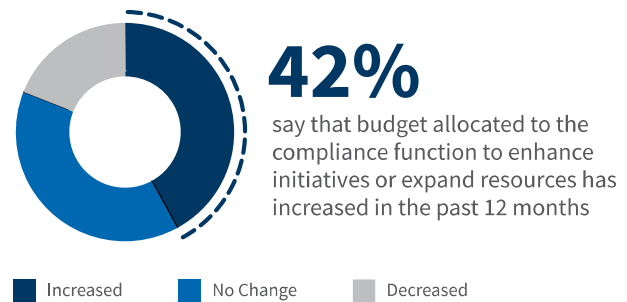
The Opportunity

Business leaders often think of return on investment in terms of revenue generated or costs avoided. Whether asked about ROI or not, elevating the perceived value of the compliance function requires a business case.

How are you thinking about the value you bring to the business? How often are you proactively sharing your story?
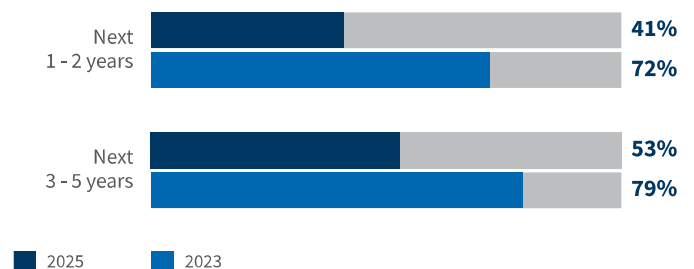
53% do not have **significant** influence over determining budgetary funding and allocation for their organization's compliance program
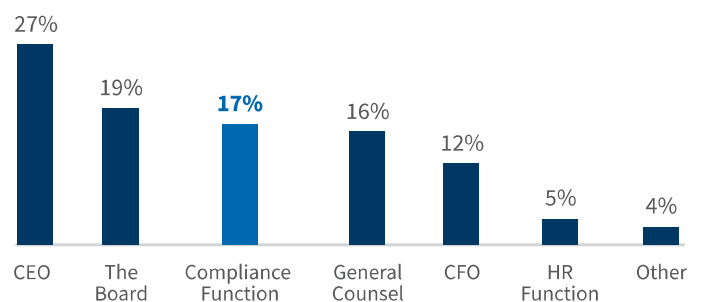
COMPLIANCE FUNCTION CURRENT BUDGET ALLOCATION

42% say that budget allocated to the compliance function to enhance initiatives or expand resources has increased in the past 12 months

- Increased
- No Change
- Decreased

ANTICIPATED INCREASES IN FUTURE COMPLIANCE FUNCTION BUDGET ALLOCATION

Next 1 - 2 years: 41% / 72%
Next 3 - 5 years: 53% / 79%

- 2025
- 2023

ROLES ULTIMATELY IN CHARGE OF COMPLIANCE BUDGET

- CEO: 27%
- The Board: 19%
- Compliance Function: 17%
- General Counsel: 16%
- CFO: 12%
- HR Function: 5%
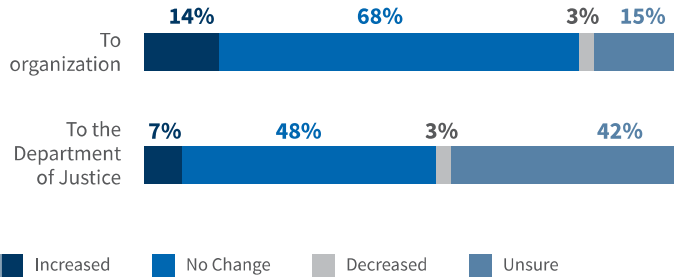- Other: 4%

Effects of the DOJ's Whistleblower Program Yet to Emerge

Last year, the Department of Justice's (DOJ) Criminal Division launched the Corporate Whistleblower Awards Pilot Program to encourage individuals to report corporate misconduct and help uncover and prosecute corporate crime. However, compliance professionals report no significant change in employees' internal reporting behaviors since its introduction. Few compliance professionals have observed an increase in the volume of incident reports following the announcement.
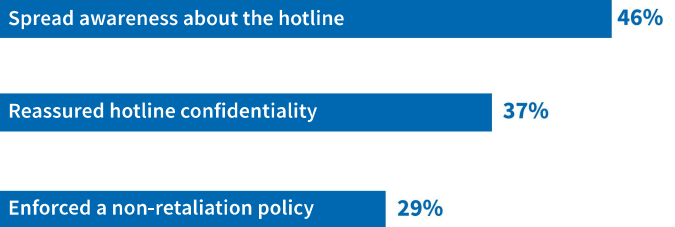
DOJ'S CORPORATE WHISTLEBLOWER AWARDS PROGRAM IMPACT

87%

say DOJ's Corporate Whistleblower Awards Pilot Program had no impact on their organization's compliance culture

■ Positive Impact   ■ No Impact/Unsure   ■ Negative Impact
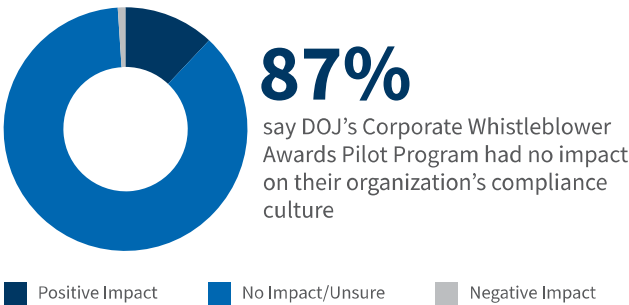
VOLUME OF INCIDENT REPORTS AS A RESULT OF PROGRAM

To organization: 14% | 68% | 3% | 15%

To the Department of Justice: 7% | 48% | 3% | 42%

■ Increased   ■ No Change   ■ Decreased   ■ Unsure

Many organizations have taken proactive steps to enhance their speak-up cultures, such as raising awareness about hotlines and ensuring confidentiality for whistleblowers. The greater opportunity lies in a more holistic approach that prioritizes a culture of transparency and accountability.

64% of U.S. organizations have taken measures following the DOJ program launch

TOP 3 ACTIONS TAKEN IN RESPONSE TO DOJ'S ANNOUNCEMENT

Action	%
Spread awareness about the hotline	46%
Reassured hotline confidentiality	37%
Enforced a non-retaliation policy	29%

54% of U.S. organizations have devoted additional resources to their internal speak-up program

TOP 3 RESOURCES DEVOTED TO INTERNAL SPEAK-UP PROGRAM

Resource	%
Established or improved hotlines	29%
Increased budget	17%
Launched rewards	15%
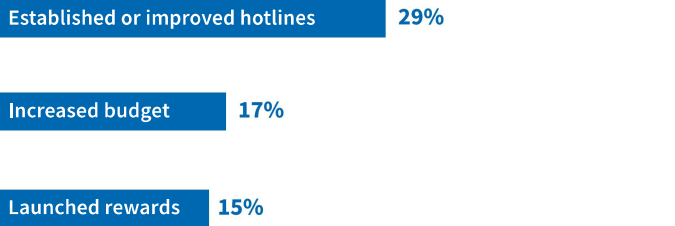
The Opportunity

A hotline and training on how to use it are the operational foundations of a speak-up program. What produces the most value for the organization is a compliance culture that creates ethical leaders at all levels who are willing to take action to be better. Middle managers are key since they are the most common reporting channel.

How can you actively engage leaders at all levels in living a strong compliance culture?

Gaps in Preparedness Poised to Magnify Impacts of Rising Incidents

Many compliance professionals report that their organizations are not fully prepared to handle potential compliance incidents, while the number of reported compliance incidents has either remained steady or increased over the past year.

Nearly half have experienced at least one compliance incident during this time, leading to regulatory challenges and low employee morale. Such incidents often create a climate of uncertainty and distrust, further complicating efforts to foster a culture of compliance and ethical behavior. Many say they do not collaborate with key internal partners, such as communications or business continuity, to proactively address these issues.

On top of these challenges, very few compliance professionals feel positively about their own organization and compliance program, shown by the low share of professionals who would recommend their organization to others.

COMPLIANCE INCIDENT PREPAREDNESS
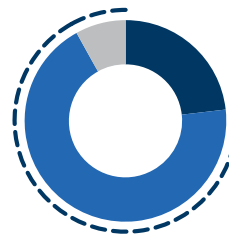
77%

say their organization is **not completely prepared** to address a potential compliance incident

■ Completeley Prepared   ■ Somewhat Prepared   ■ Not Prepared

Likelihood to Recommend

Recommend joining compliance team at your organization

30%	27%	44%

2023 COMPARISON

Recommend joining your organization

26%	28%	47%

2023 COMPARISON

Recommend adopting your organization's compliance program

20%	28%	51%

2023 COMPARISON

■ Promoter (9-10)   ■ Passive (7-8)   ■ Detractor (0-6)

The Opportunity

Compliance professionals play a critical role in helping companies understand the risks and requirements of certain strategic decisions, as well as in enabling the business to manage those risks. This is more important now than ever with increasing regulation and the rapid adoption of new technologies.

How can you frame the value of your expertise differently? How can you build and leverage relationships with other corporate functions to achieve business goals?

62% say their organization has experienced negative impacts from compliance incidents

48% say their organization has experienced a compliance incident in the past 12 months

41% say the raw number of reported potential policy violations or incidents has increased in the past 12 months

31% say they do not collaborate with their communications or business continuity teams to identify and address compliance issues

Enabling Business Success in Organizations Through Compliance

This survey is presented by a joint team of compliance, change management and research experts from FTI Consulting and Ethico who collaborate with organizations to cultivate a strong culture of ethics and compliance.

How We Can Help

FTI Consulting Strategic Communications' <u>People & Transformation team</u> helps clients understand and demonstrate the effectiveness of their compliance programs through compliance culture assessments, communications and change management programs.

Ethico's ECOsystem (Ethics and Compliance Optimization) allows leaders to manage risk, reinforce culture, and establish ethical work environments with powerful next-gen technology.

ANGIE CHAPLIN GORMAN
Managing Director, People & Transformation
FTI Consulting
angie.gorman@fticonsulting.com

JAMES CONDON
Managing Director, Digital & Insights
FTI Consulting
james.condon@fticonsulting.com

JULIJA SIMIONENKO-KOVACS
Senior Director, Digital & Insights
FTI Consulting
julija.simionenko-kovacs@fticonsulting.com

NICK GALLO
Chief Servant and Co-CEO
Ethico
ngallo@ethico.com

FTI Consulting and Ethico conducted a survey in which 162 compliance professionals or those responsible for handling compliance for their organizations participated. The survey was conducted online between September 26 and November 26, 2024.