

## **The compliance problem and compliance management**

Each entrepreneur (be it an individual or a company) has, when organizing his business, to deal with all kinds of risks. Possible risks may e.g. include insolvency of debtors, unavailability of raw matters to produce or goods to buy and to sell thereafter to their clients, strikes, etc. (just to name some obvious ones). All those risks have to be taken into consideration in the process of organizing the business and company decision-making.

One of the risks an entrepreneur has to take into account originates from the adoption of new rules or the modification of existing ones. The entrepreneur is obliged to integrate new or modified legislation into his decision-making process and refrain from activities which might, up to then, have been profitable but are now against the law, or proceed to new investments (e.g. hiring of additional personnel). New legislation is an important factor and should be taken into consideration in company risk management. The question is therefore, will he comply with new regulations and how ? How is the process of acceptance of new rules organized at company level and what are the risks and possible costs of not accepting them ?

Compliance is concerned with the process of acceptance of rules, largely prior to the point of « impact » (the latter involving the consequent ensuing upon a decision or policy, including all the consequences, not merely obedience).

The risks facing organizations from non-compliance with all kinds of regulations are real and the penalties are costly. Non-compliance can result in thousands of Euros in penalties and fines, and be a major disruption to the organization as well as a public relations nightmare. It is therefore necessary to make well informed, thoroughly considered decisions about company risk management in compliance issues.

The problem of compliance can be approached from several angles, that is, the ethical perspective, the public administration/corporate governance perspective, the legal perspective, the economic perspective (and the merger of both into “law and economics”).