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Risk and Compliance System Dynamics

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A new compliance system and policy is to be put in place to increase non-compliant event identification and resolution

Noncompliant events increase risk

There is a concern that the system will not be used to its full capacity and effectiveness

**Users could "game" the system.**

Company-wide implications of the compliance system rollout include:

— IT and technical obstacles to success

— Increased pressure on human resources

— Leadership challenges to upper level management

— Potential short-term effects on customer trust

Our major assumption is that the system will have to be used by staff who might otherwise be spend more time selling and meeting sales quotas.

Non-Compliant Events   Non-Compliant Events Identified

non-compliant   non-compliant   non-compliant
event creation   event identification   event resolution
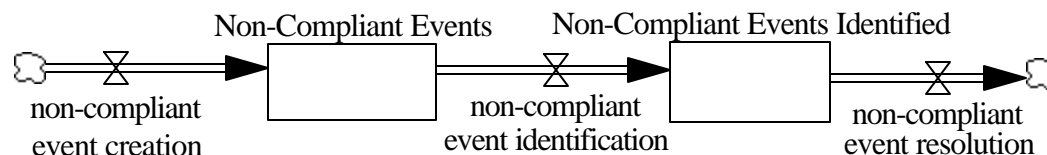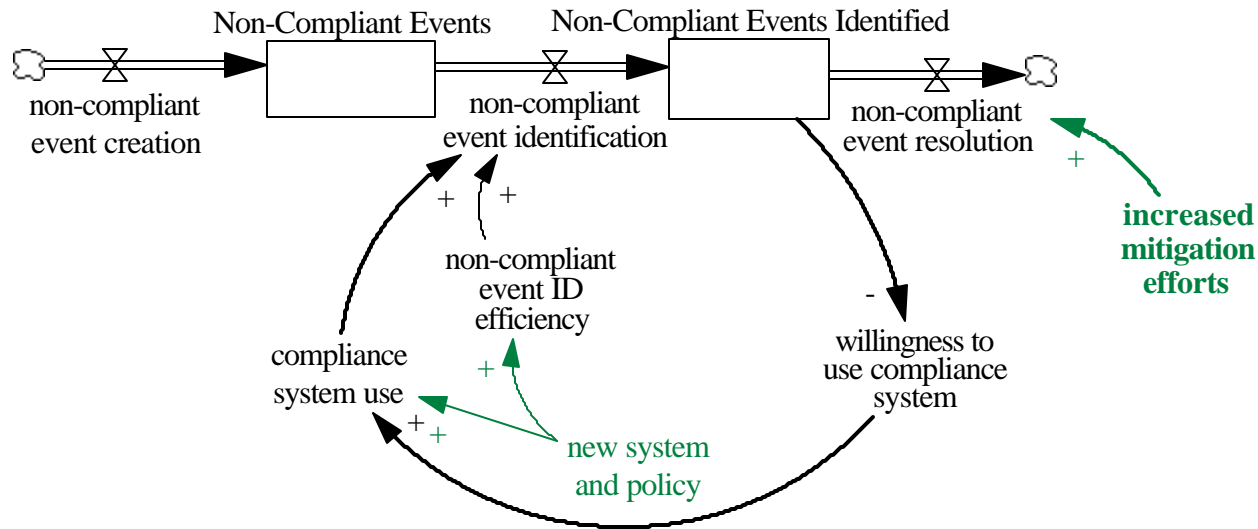
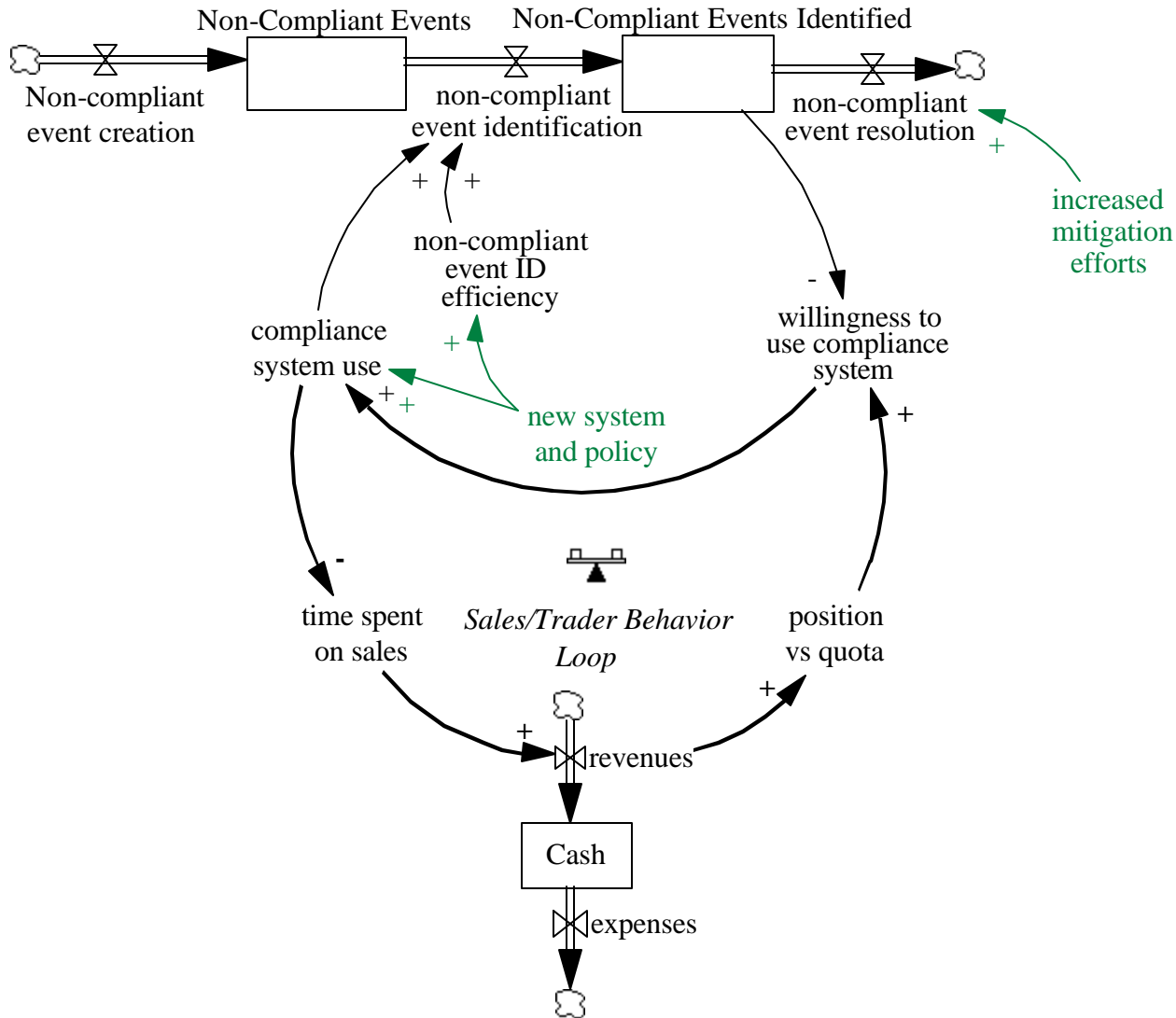# A new compliance system & policy are aimed at increasing non-compliance event identification
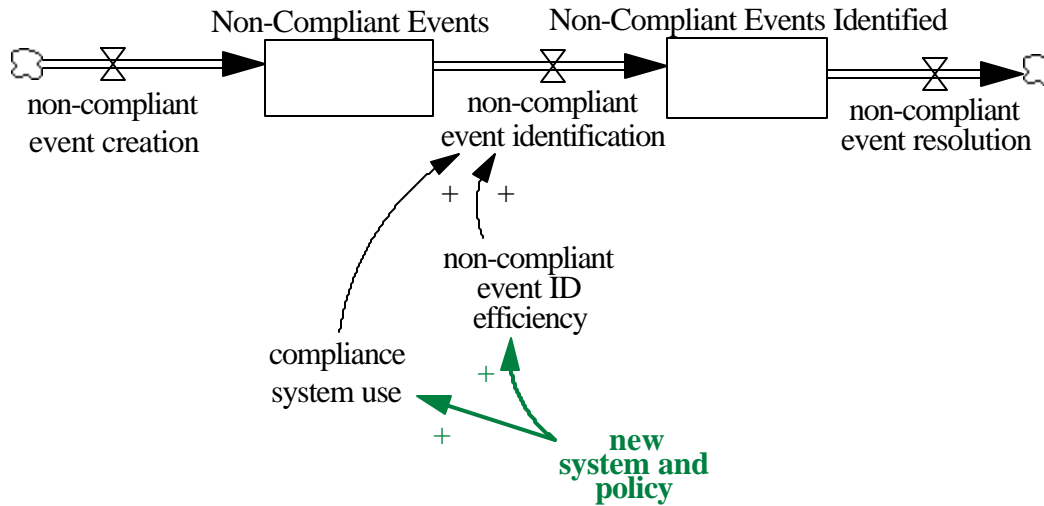
# Effectiveness of the new system is balanced by mitigation backlogs decreasing the willingness to use system
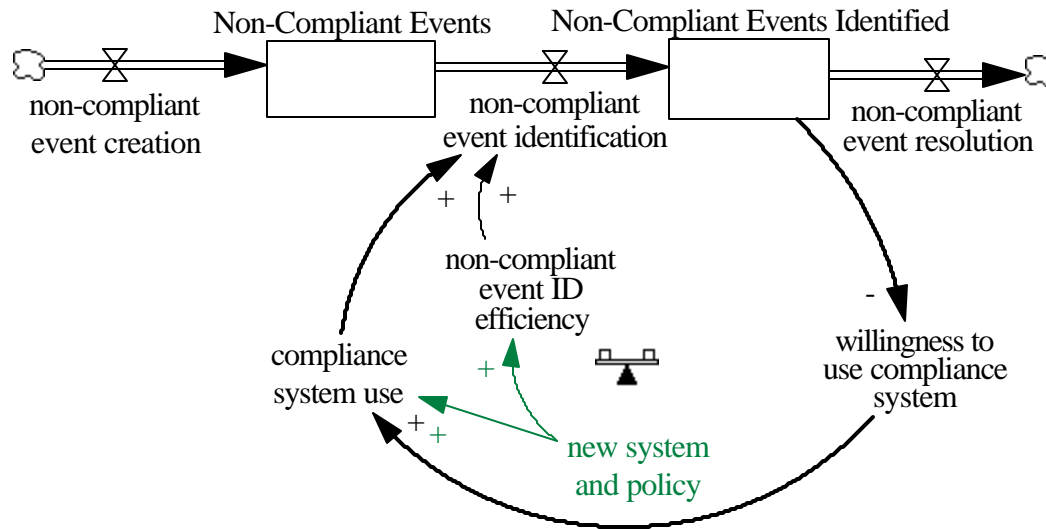
Willingness to use the system decreases as the position vs quota" drops (with less sales), again balancing the new system's effectiveness

Decreased position vs quota sets off a reinforcing cycle by which increased attrition leads to decreased sales productivity and additional quota pressure

# Policies to increase retention should be implemented along with the new compliance system

Without efforts to increase retention, increased attrition may have the most damaging of all unintended consequences: non-compliant event creation
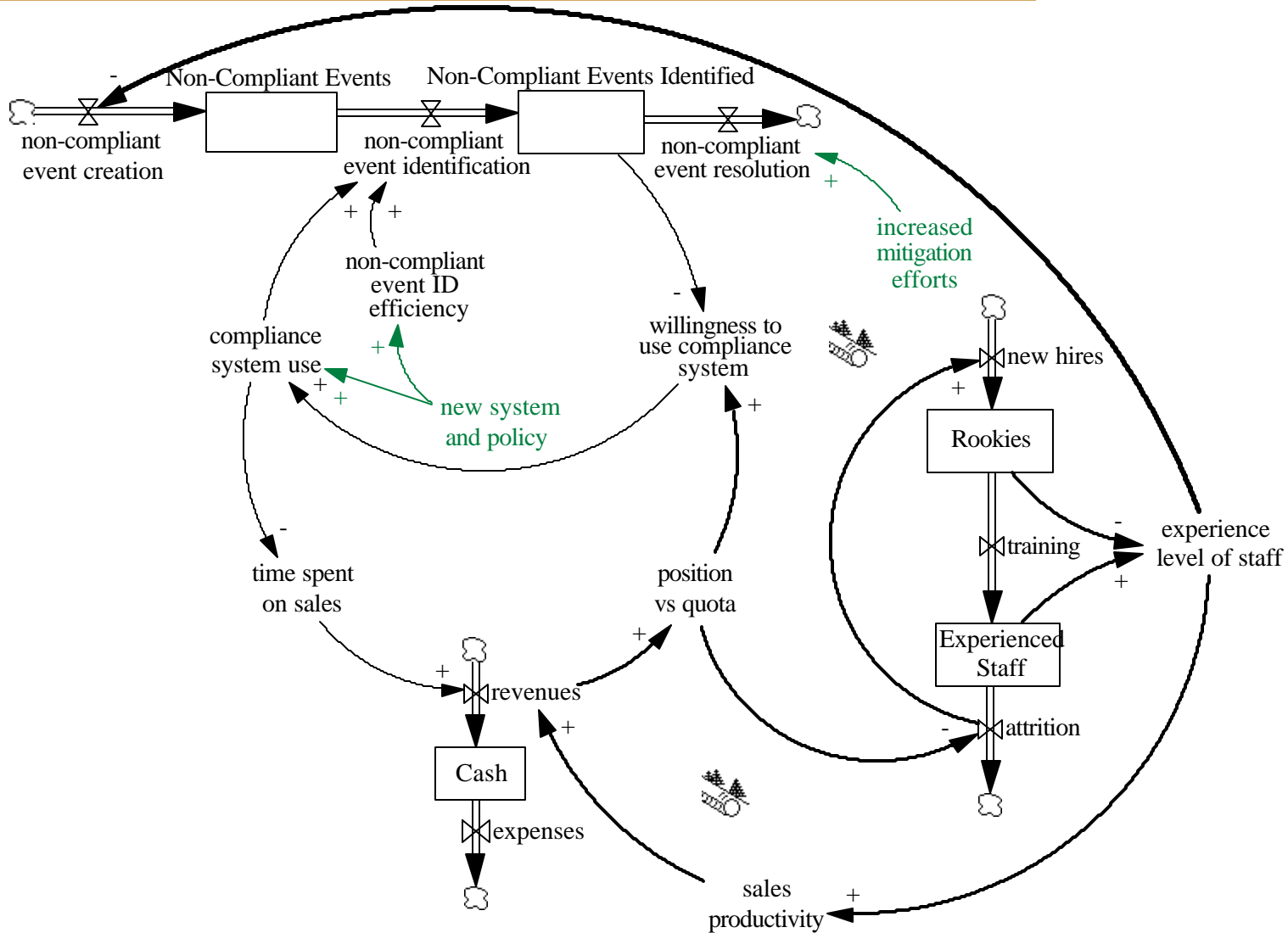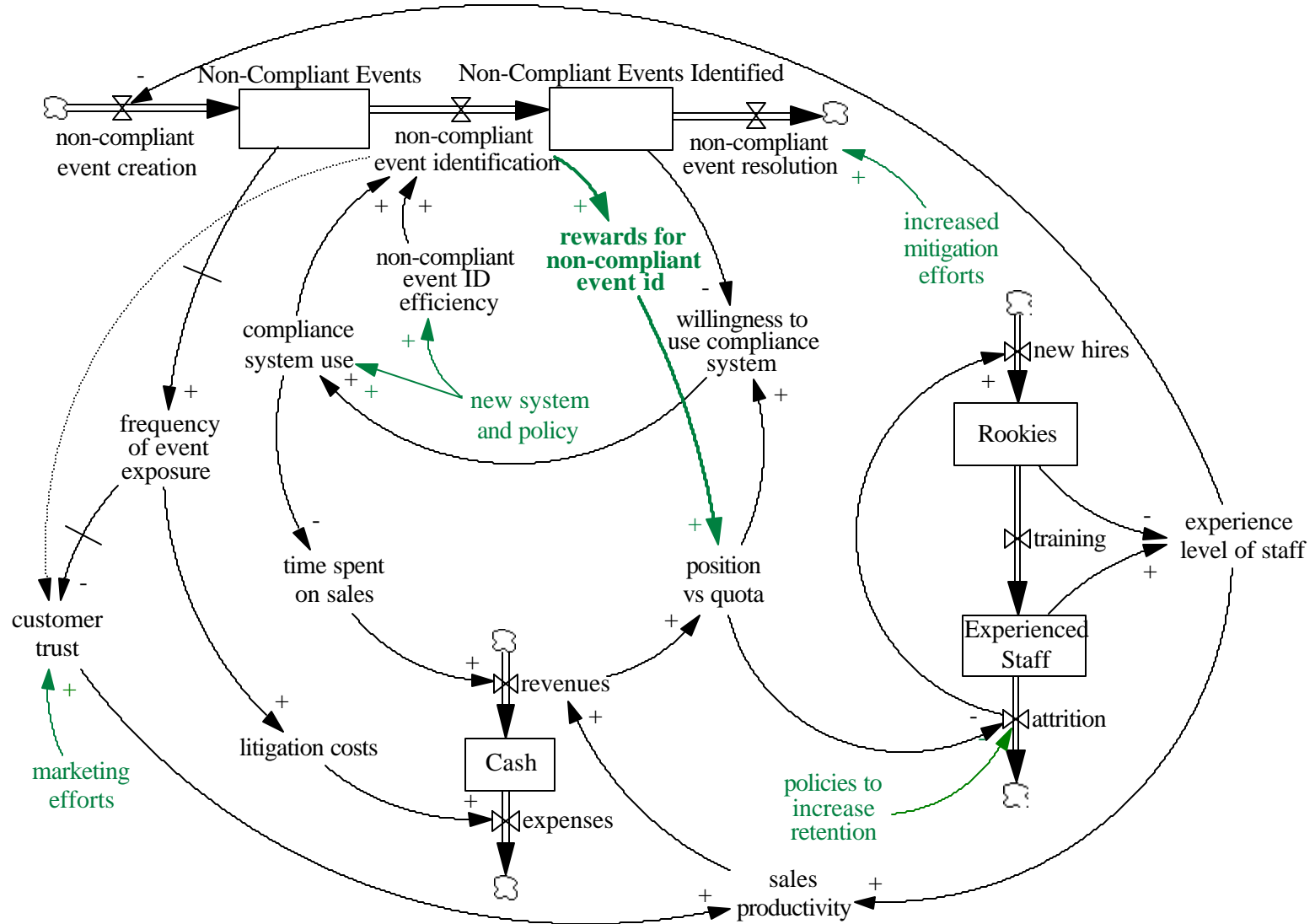
If the new compliance system and policy do increase non-compliant events, customer trust will decrease and litigation costs will increase over time
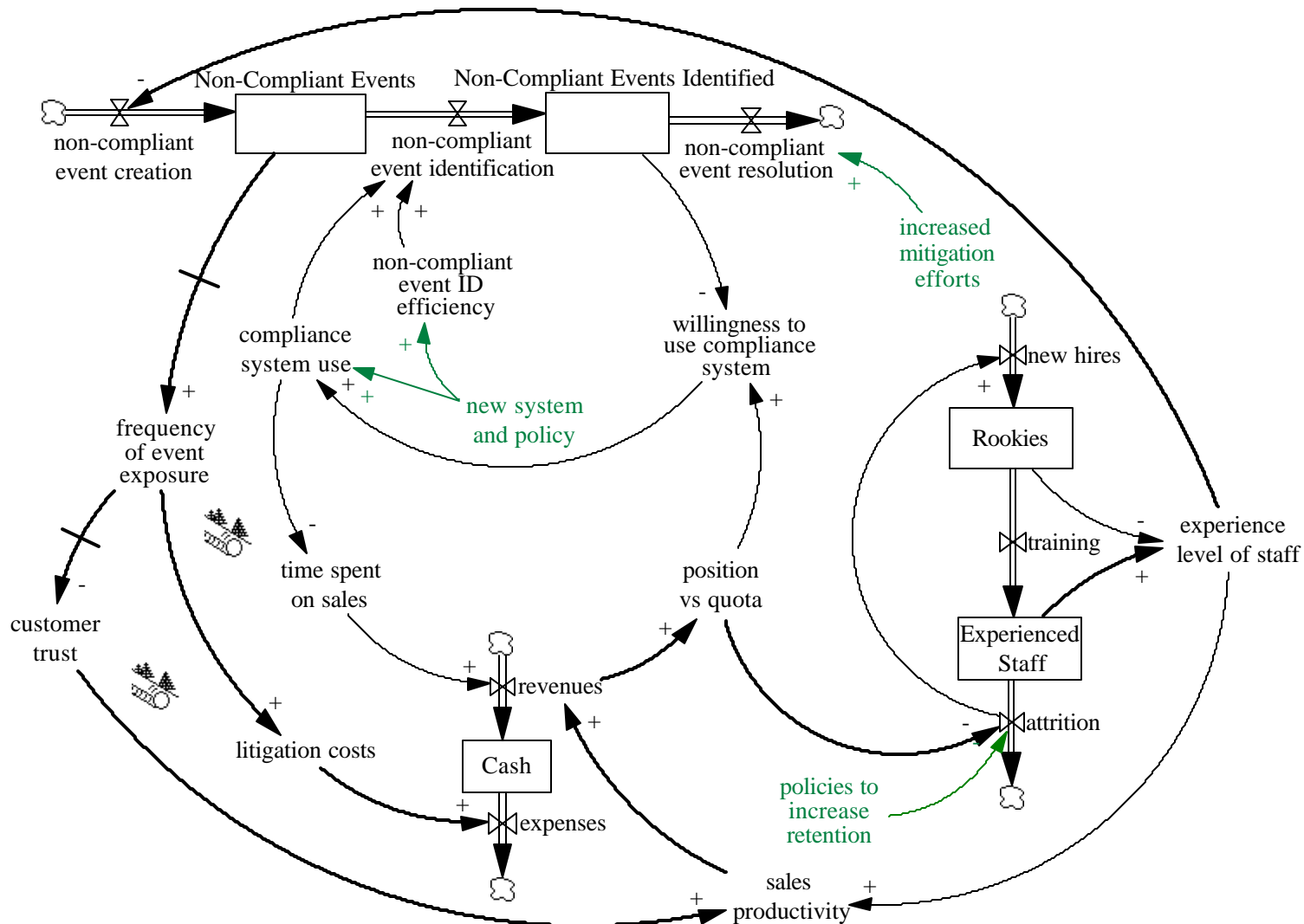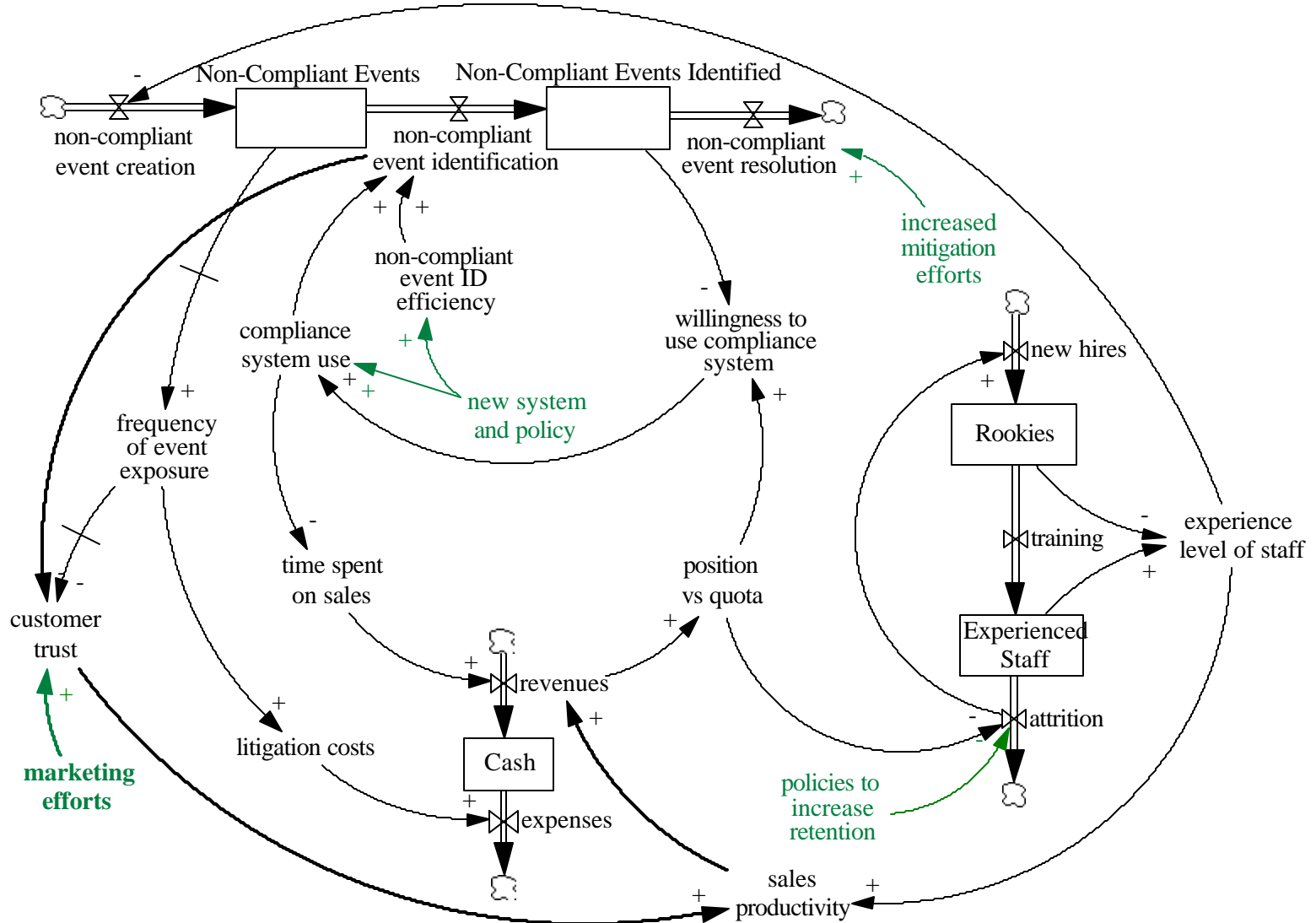
Rewarding sales staff for non-compliant event identification is another policy to consider, but would rewarding "whistle-blowing" have other feedbacks?