

## WHY COMPLIANCE IS ESSENTIAL FOR ORGANIZATIONS

Compliance is the set of processes and organization uses to ensure that employees and the organization as a whole abide by internal rules of conduct and external rules and regulations. It may include your company's written values, its ethics policy, the employee handbook, and policies for complying with legal obligations (like taxes and corporate reporting). In smaller organizations, compliance tends to reside, informally, within the functions of the chief executive officer, chief financial officer, and head of HR.

Taking steps to meet your legal obligations might seem like a management no-brainer, but only fulfilling your minimum requirements might result in missed opportunities. Understanding the reasons for the various rules, laws and regulations that govern your business will help you take advantage of any benefits they offer while ensuring you stay in compliance at all times.

### **Compliance Demands Grow with Your Business**

In its business sense, "compliance" refers to a company meeting its legal obligations, often to protect the health, safety and welfare of others. Simple examples of compliance include obtaining a business license in your town and paying your taxes. The importance of compliance is more evident as issues become more complex when your business grows. You will have expanded responsibilities regarding your workers, covering hiring, firing, discrimination, harassment, safety, wages, payroll and benefits. The way you make and sell your product and service might fall under the auspices of a government agency, such as a restaurant needing to meet health department guidelines.

### **Reduced Legal Problems**

The most obvious consequence of compliance is that it decreases your risk of fines, penalties, work stoppages, lawsuits or a shutdown of your business. When you don't meet some compliance requirements, such as posting an employment poster in the wrong area of your office, you might get a warning and a chance to correct the problem. In other situations, you might face costly sanctions. Failing to meet your legal obligations, such as in your manufacturing procedures or advertising methods, can also help someone suing you strengthen his case. Hire a compliance expert to make sure you understand all of your legal obligations and how to comply with them.

### **Improved Operations and Safety**

Many business rules and regulations can help you more than harm you. For example, rules regarding discrimination and harassment help you create a better working environment for your employees, which can lead to more worker productivity. Following safety and security rules helps prevent injuries, fires or building evacuations that hurt your profitability. In addition to learning the bare minimum you need to do to meet your legal obligations, review suggested business practices at the websites of such agencies as the U.S. Occupational Safety and Health Administration and U.S. Equal Employment Opportunity Commission to learn more ways to strengthen and safeguard your company's operations.

### **Better Public Relations**

When you meet your legal obligations, one of the benefits of compliance is the ability to tout these on your website and in your marketing materials. For example, when you place job advertisements, include the fact that you are an equal opportunity employer. If you post your mission statement on your website, state that you do not discriminate based on race, sex, creed or sexual orientation. When you recruit new workers, highlight your company's commitment to both physical safety and mental health by referencing key policies and benefits dedicated to proactive healthcare and wellbeing, such as extended maternity and paternity leave or free gym memberships.

## Higher Employee Retention

Many business compliance issues deal with protecting employees. The more employees feel they work in a fair, professional and safe environment, the more likely they will be to stay with you. Even if you don't harass or discriminate against any employees, if you don't take steps to ensure none of your employees do, you can lose valuable workers. Include policies and procedures in your employee handbook that mirror your legal compliance obligations. Remember, a policy is only strong if it is enforced. Your policy should not only present the rules but also specify the procedure for dealing with infractions, such as a reprimand and additional training on a first infraction and suspension or termination for a second. Check in with middle managers or supervisors regularly to ensure complaints are handled properly.

## What is Compliance Management?

With the consequences of failing to comply with laws, regulations, and standards having such a high potential cost, compliance is clearly a very big issue for businesses. Thus, a simple definition could be:

*"Compliance management is the process by which managers, plan, organize, control, and lead activities that ensure compliance with laws and standards."*

These activities can include:

- Internal audits
- Third-party audits
- Security procedures and control
- Preparing reports and providing supporting documentation
- Developing and implementing policies and procedures to ensure compliance

Organizational waste includes disputes and human misunderstandings. A healthy compliance function can help make that waste visible, by tracking core metrics that may show areas of underperformance and friction. It can prevent disputes and misunderstandings.

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