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Compliance – a new term or a new concept?

Each Leader needs to close ranks of his or her team of employees within the scope of management and leadership of the classical management triangle POS (planning, organizing and supervising) setting standards by acting as a good example (tone at the top). How does compliance fit in – is it a new task or just a new term? EXECUTIVE SUMMARY No. 3 (**Mysteries of Compliance**) delivered some insight referring to the Definition in No. 4.1.3 of DCGK (the German Corporate Governance Codex). Documenting the internal rules and (starting with certain company sizes) an internal audit were defined as the basic elements of compliance.

The three pillars of a Compliance Program

Following the law and internal rules seems to go without saying. But today’s systematic approach is understood to be a new approach consisting in developing, implementing, living and improving formalized organizational and control structures, called Compliance Program. We suggest using a »three-pillar-model« with the pillars **Commitment, Organization and Leadership**.



Commitment

The modules of the first pillar are »tone from the top«, ethical principles and the engagement of staff. Where company leadership does not set the example management cannot expect any »miracles«.

Ethical principles based on the values of culture and society at the place of business are the basis of a self-supporting company culture which is a pre-condition for sustainable economic success. Those ethical rules should be linked to specific responsibilities committing and protecting all stakeholders.

Commitment to follow those principles of compliance including the ethical rules and performing accordingly all obligations arising there from by all employees is essential – and this includes all members of the board who will have to adopt the basic principles of the company and by signing them they will submit to them.

Organization

Compliance means that the management will have to structure the company and its core processes in line with the business and size of the company to ensure that violations of the law and/or internal rules by staff are precluded. This will include an organizational manual if so required by company size. It remains to be decided based on the company structure with a sense of proportion how to structure the compliance-management-system.

Leadership

Leadership is more than just managing a team of employees. It includes everyday instruction or guidance and internal controls. Training, reporting and internal audit are other modules of this pillar as is an integrated risk management system. Management needs to know the maturity of the internal controls and locate the risks. For small and midsize companies a simplified four level model can be recommended instead of the commonly used six or more levels.

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For the full text of the »EXECUTIVE SUMMARY« (in German) go to **Compliance – nur ein neuer Begriff oder eine neue Aufgabe?**