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### Compliance and collaboration in the paradigm of remote work

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By Chetan Lunkar

Remote working has ushered in a new paradigm of communication and collaboration, marked by a reliance on digital tools and virtual platforms. Teams now navigate a landscape where asynchronous communication, video conferencing, and collaborative software redefine how work is conducted, emphasizing flexibility and inclusivity. Online collaboration and virtual meetings are believed to positively impact ethics and compliance programs by enhancing transparency, accessibility, and accountability. Digitization also allows for the efficient dissemination of compliance information, ensuring employees stay informed about policies and regulations.

However, the mutual acceptance of remote work by employers and workers as an optimal means of working appears to be coming apart as companies—including big tech firms—increasingly mandate a return to the office, although employees are resistant.<sup>[1]</sup> Executives no longer have a rosy view of remote working, because contrary to popular perception, recent research findings indicate remote work negatively impacts productivity and collaboration rather than enhancing it.<sup>[2]</sup> This development raises the following question for compliance professionals: Does remote work enable or inhibit collaboration for compliance?

#### Remote work: Impact on compliance programs

Although anecdotal evidence indicates remote working would encourage more people to voice their concerns, surveys indicate divergent findings since risk of retaliation would be diminished due to physical distance. While Navex had revealed historically high reports for 2022 (1.47 median reports per 100 employees),<sup>[3]</sup> as per Ethisphere's 2023 Ethical Culture Report (Ethisphere survey),<sup>[4]</sup> observations of misconduct went down, as did the willingness to raise complaints. While there is no objective evidence to determine the effect of remote work on the efficacy of compliance programs, compliance professionals opined in the Ethisphere survey, as well as in a separate survey from the Ethics & Compliance Initiative, that remote work has not affected the effectiveness and efficiency of compliance programs.<sup>[5]</sup>

#### Remote work and information silos

Although research reveals that remote working is detrimental to effective collaboration, the impact of remote work on collaboration and its associated effect on compliance programs has largely escaped scrutiny. A team of researchers from Microsoft, the University of California, Berkeley, and the Massachusetts Institute of Technology analyzed communication and collaboration patterns of around 61,000 Microsoft employees working entirely remotely during the pandemic (the Microsoft study).<sup>[6]</sup> The analysis revealed that shifting to a fully remote work organization made networks more inflexible, with groups becoming more siloed. Workers developed fewer connections outside their groups, and groups became more static, with workers spending less

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time on newly added connections. Group members become more closely connected—and networks become denser—when workers spend more time with their groups. This ossification of group connections leads to information silos and reinforcement of group thinking as information generated outside the group becomes less accessible.

## Compliance through collaboration

While a code of conduct outlines overarching principles, specific compliance objectives are primarily defined through policies and directed through procedures. Varying compliance responsibilities are generally delegated based on functional roles as described below:

- **Experts:** Teams that determine the risk posture for a specific regulation or class of regulations and develop policies and procedures.
- **Administrators:** Teams whose responsibilities are significantly related to an underlying regulation and who implement policies and procedures. They are expected to be reasonably knowledgeable of the underlying regulation.
- **Enablers:** Teams who apply policies and procedures and whose responsibilities are remotely related to the underlying regulation.

To illustrate, with reference to trade compliance, while the legal team (expert) may frame policies and procedures, the supply chain team (administrator) interprets and applies policies, and the customer support team (enabler) would possess essential knowledge to facilitate interactions with customers.

Policies and procedures, by design, are generally not comprehensive and insular and may require interpretation and analysis—particularly in the case of nonroutine events or transactions or where the underlying regulation is intricate, principle-based, or amended frequently. Therefore, effective collaboration between experts, administrators, and enablers is necessary for effective compliance. This enables stakeholders to arrive at a consistent and shared understanding of compliant transactions and acts and identify noncompliance due to errors or misconduct.

While ties between experts are robust as they are part of the same group, experts and administrators would share regular ties due to ongoing interactions to manage material risks and frame policies. However, collaboration between enablers, administrators, or experts would not be as robust and frequent. While it may seem that enablers do not have a crucial role, research shows that although stronger ties are well-suited for information transfer, weaker ties are more likely to provide new and creative information.<sup>[7]</sup> This finding is reflected in a 2019 survey of 800 compliance leaders from the U.S., China, and four other countries, collectively generating 52% of the global GDP.<sup>[8]</sup> Forty-five percent of respondents believed compliance blind spots exist as a result of silos due to poor alignment between departments, and 69% of respondents opined that compliance would be enhanced with better cross-functional collaboration.

The post-pandemic decrease in reports to compliance and human resources teams (5.4% and 7.8%, respectively) and an increase in reports to skip-level managers (3.1%) may indicate that disinclination to engage in outside-group ties due to remote work has led to a diminished awareness of other functional teams. While pre-pandemic ties may have curbed the impediments of virtual collaboration, the adverse effects would become more conspicuous in the long run, affecting the efficacy of the ethics and compliance program.

The Microsoft study also found that workers spent less time on synchronous communication, such as conference calls, and more time on asynchronous communication, such as email. Asynchronous communication channels

are suboptimal mediums to convey and process complex information.<sup>[9]</sup> This, coupled with the stylistic differences in communication styles, could make communication impaired and deficient.

## Norms and compliance

The normative understanding of violations based on social norms plays a crucial role in the likelihood of identification of noncompliance. For example, harassment is generally considered socially unacceptable in many cultures, and this normative understanding of harassment makes it relatively easy for people to identify such behavior, even in the absence of specific policies. On the other hand, data privacy needs to be universally understood and accepted, especially in cultures where the importance of personal data protection is not widely recognized, and identifying violations may be more challenging without policies and procedures. When applied in a construct where policies and procedures are not understood, this reasoning can lead to misidentification or nonidentification of noncompliance where the underlying social norms are vague or tenuous.

As per Navex's 2023 *Hotline & Incident Management Report*, reports in the category of "HR, Diversity & Workplace Respect" increased in 2022 (53.8%) from the previous year (50.0%).<sup>[10]</sup> However, reports of accounting violations decreased in 2022 (4.4%) from 2021 (5.1%), and reports on business integrity increased slightly in 2022 (18.8%) from 2021 (18.2%). While the data is inconclusive, the increase in reports in the human resources category, which has a solid socio-cultural context, indicates a causal relationship between social norms and recognition violations. Therefore, violations of regulations where the normative understanding is feeble would depend on the information conveyed in the workplace. The ability to identify violations is impaired if the communication channels are static and ineffective.

## Groupthink

Silos may lead to groupthink, a cognitive bias that encourages people to desire harmony or conformity within a group.<sup>[11]</sup> As constructive collaboration with outside groups is curtailed, groups become insular and inward-looking, and loyalty to the group becomes paramount. According to psychologist Irving Janis, groupthink is "a deterioration of mental efficiency, reality testing, and moral judgment that results from in-group pressures."<sup>[12]</sup> Members of the group lose objectivity and demonstrate an unquestioned belief in the group's inherent morality, leading to unethical decisions and actions—particularly when the group's leadership supports such decisions or actions.

Moreover, the risk of powerful or unethical managers exacerbates the dangers associated with silos. In an isolated team structure, the influence of a dominant manager can be magnified, potentially leading the team down a path of noncompliance or unethical decision-making. Remote work environments may provide fewer checks and balances, allowing such leaders to wield disproportionate power without the oversight that might exist in a traditional office setting.

## Hybrid work

With organizations pivoting to hybrid work and more workers turning up at the office, collaboration is expected to be enhanced. According to a survey conducted by McKinsey in July 2023, only 7% of respondents were working entirely remotely, with 37% going to work every day; the rest (56%) are working on a hybrid model.<sup>[13]</sup> However, adopting a hybrid model does not necessarily mean that collaboration levels would be the same as earlier. With limited time at the office, workers would be inclined to restrict interactions with their groups and may be disinclined to establish ties with outlier groups. The opportunity for interaction and collaboration is diminished if workers turn up to work on different days or if their scheduled days at the office are unplanned or flexible.

Furthermore, knowledge workers such as lawyers and accountants play a crucial role in compliance management, and their engagement is critical to effective compliance. In a March 2023 survey, Gartner estimated that 39% of knowledge workers would still have a hybrid arrangement globally by the end of 2023.<sup>[14]</sup> Developed economies are expected to have a higher share of hybrid and fully remote knowledge workers; for the U.S., this is estimated to be 20% fully remote and 51% hybrid. McKinsey estimates that at least 75% of workers in finance, management, and professional services have the potential to work remotely.<sup>[15]</sup> Remote working is seen as an expectation, not a perk; fully remote and hybrid work is expected to soar.

As such, collaboration stasis observed in the Microsoft study may still be prevalent even as organizations increasingly pivot to hybrid work.

## **Cracking the collaboration conundrum**

### **Plan for collaboration**

Assessing collaboration can be challenging because it involves a range of qualitative interpersonal and organizational dynamics. At the same time, collaboration can be reasonably measured using a mix of the objective and subjective. While the vigor of collaboration within the compliance function may be readily evaluated, measuring collaboration between and among administrators and enablers would be relatively complicated due to organizational span and availability of and access to data. Further, cross-functional teams may not consent to steps to bridge collaboration gaps as this may not align with their priorities. Therefore, a structured approach to identifying, prioritizing, and addressing collaboration gaps should be prepared with the buy-in of senior management, which in turn would lead to broader acceptance of the collaboration plan.

### **Aligning actions with risks**

While multiple actions or steps can be contemplated to identify and address collaboration gaps, the underlying costs and consequences would vary. Inordinately intrusive or directive actions may hinder collaboration.

Collaboration overload is akin to the Trojan horse, which frequently goes unnoticed.<sup>[16]</sup> Instead of aligning actions solely with the materiality of the regulation, underlying factors that contribute to ineffective collaboration should also be considered. These factors include the extent of knowledge and awareness of relevant stakeholders of a specific regulation, the complexity and vagueness of the underlying regulation, material changes in law, new laws, and noncompliance attributed to poor collaboration. By assigning ranks or ratings, regulations can be prioritized, and appropriate steps can be determined. For example, if multiple instances of noncompliance were observed when there were none in the past, changes in the organizational structure might mean that the information flow was impeded—personnel did not know who they should reach out to. The simplistic solution would be to assign roles and responsibilities. On the other hand, if the noncompliance were attributed to changes in law that would require business process reengineering, then the optimal (and resource-intensive) solution would be to set up a project team.

### **Identifying and addressing collaboration gaps**

Collaboration gaps may be inferred from a range of data points; however, a root cause analysis is necessary to establish whether collaboration gaps are prevalent. These data points—which may be qualitative and quantitative—include findings from surveys, instances of noncompliance, whistleblower complaints, and observations from audits that indicate procedural deficiencies. Data analysis of usage communication and collaboration tools can lead to meaningful findings.

Communication audits evaluate the frequency and effectiveness of communication within the team and identify

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areas where communication may be lacking or unclear. This would enable the identification of silos within the compliance team as well as the efficacy of collaboration with administrators.

Interactions between the compliance team and enablers are sporadic and issue-specific—determining collaboration gaps based on limited interactions would be erroneous. At the same time, enablers are crucial stakeholders. Trend analysis of enablers' reports, queries, and escalations may indicate their engagement and awareness levels. When juxtaposed with surveys and compliance gaps, this data would point to the vigor of collaboration with enablers.

Along with apparent measures such as clear lines of communication and roles and responsibilities, joint working groups for specific initiatives, training and workshops, and use of collaborative technology solutions, other measures that can enhance collaboration include:

- Scheduling regular compliance reviews with representatives from various functional teams. This helps identify potential issues early and ensures compliance considerations are integrated into ongoing projects.
- Establishing joint compliance and functional team goals aligning with organizational objectives. This encourages collaboration and a shared sense of responsibility for compliance.
- Implementing a feedback mechanism to collect input on collaboration effectiveness from compliance and other teams.
- Appointing individuals as liaisons between compliance and other functional teams. These liaisons can facilitate communication, address concerns, and promote collaboration.

## Conclusion

While the world is moving from working entirely from home to hybrid working, the mode, medium, and manner of interactions have changed irrevocably. Collaboration was never easy, and the enervation of cognitive faculties during virtual meetings does not make it easier. It is like trying to knit with gloves on. This may be one of the reasons why people tend to reinforce existing ties and refrain from establishing new ones. Despite technology—and perhaps because of technology—collaboration will be viewed more as a burden than a responsibility. Compliance, by nature and design, can only be achieved through collaboration. Collaboration in compliance is akin to an impromptu act where the actors and their roles are known, but the script and dialogues are not. Trust, commitment, and collaboration are crucial to pull off the act. And when an actor must emote through a digital screen, the difficulty is exacerbated, and the outcome could be less than ideal.

## Takeaways

- Remote working is losing its sheen, with employers across most sectors issuing return-to-office mandates citing a decline in productivity. However, most workers oppose these mandates.
- Various research and surveys indicate that collaboration levels have decreased, impeding the exchange of information and the reinforcement of silos.
- Hybrid working has emerged as the consensual solution, with most knowledge workers expected to transition to hybrid working permanently.
- Risks to effective collaboration may persist despite the advent of hybrid working, as most knowledge workers, who play a crucial role in compliance management, are expected to work remotely.
- Compliance professionals must assess the risk of ineffective collaboration and its impact on compliance



management. A structured approach to identify, prioritize, and address collaboration gaps is necessary to achieve this.

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