

Compliance And Procurement Sentiment Report

*Overall sentiment rises, but ability to respond to
global sanctions is a concern*

OCTOBER 2018



EXECUTIVE SUMMARY

The world we live and do business in is changing rapidly and no function feels that shift more than compliance and procurement professionals. Despite consistent priorities around mitigating risk, reducing costs and vendor management, this year has provided significant environmental and geo-political challenges. Natural disasters, global sanctions and many other factors impact compliance and procurement professionals and challenge their ability to do their jobs with a high level of confidence.

In this second Dun & Bradstreet Compliance and Procurement Sentiment Report, I wanted to expand on what we learned earlier this year and determine if there have been any measurable changes.

We again surveyed more than 600 professionals from the US and UK on a range of questions about their daily tasks and their ability to respond to global change. We focused on measuring shifts in overall industry sentiment and dug deeper into the areas of fraud, technology and the convergence of compliance and procurement.

Here are a few highlights:



WHILE CONCERNS AND CHALLENGES are discussed in the report, compliance and procurement professionals remain positive overall when considering the current and future effectiveness of their functions.

TECHNOLOGY continues to be a driving force in both the compliance and procurement functions. In fact, it can be viewed as an overwhelming enabler to success in their roles.



FRAUD continues to plague the compliance and procurement space. Knowing exactly with whom you do business and understanding your third-party relationships and secondary and tertiary suppliers is critical, but this is not always easily managed.

GLOBAL SANCTIONS, such as sanctions against Iran and Russia, are proving difficult for some procurement and compliance functions to respond to. The complexities of sanctions and lack of knowledge are proving to be barriers.



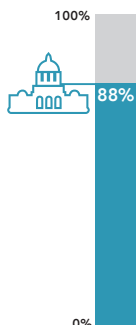
At Dun & Bradstreet, we remain committed to providing information and insights to assist compliance and procurement executives with how they prioritize and overcome challenges. The inaugural report, published earlier this year, can be accessed at: www.dnb.com/June2018sentimentreport

Thank you,

Brian Alster
Global Head of Supply & Compliance
Dun & Bradstreet

88%

OF DECISION-MAKERS
are confident in the current
effectiveness of compliance
and procurement



52%

OF RESPONDENTS
said existing regulation
has increased the risk to
their business in the last
3 months



37%

OF RESPONDENTS
said policy related challenges
are a contributing factor
in fraud



KEY SENTIMENT REPORT FINDINGS

Effectiveness
of compliance &
procurement
function



Impact
of regulations
to business



108

Points
SENTIMENT SCORE
+8 POINTS



108
Points

103
Points

TOP 4

CONCERNS IN
NEXT 6 MONTHS:



1. Customer/vendor due diligence
2. Internal training to ensure understanding of regulations
3. Environmental and Social Governance
4. Ongoing supplier/vendor monitoring

31%

OF RESPONDENTS
believe that technology
is a barrier to duties
and tasks related to
laws & regulation



91%

REPORT
having enough resources
to comply with existing
legislation



A LOOK INTO THE SENTIMENT SCORE

Compliance and procurement professionals remain positive about the current and future effectiveness of their functions, with an overall positive sentiment score of 108. The eight-point increase in the score from the [initial survey](#) published in June 2018 is primarily driven by fewer respondents feeling that existing regulation has increased the risk to their business.

Along with this, respondents in this survey are less concerned about significant elements of compliance and procurement implementation in the next six months. Forty-one percent of respondents cited concern, while more than half (55%) reported concern in June.

While the overall positive sentiment increased, respondents' confidence slipped regarding the current effectiveness of compliance and procurement functions; that number is down from 93% confident to 88% confident.

TECHNOLOGY

Earlier this year, we found that 36% of respondents said technology is one of the barriers preventing them from doing their jobs effectively.

At Dun & Bradstreet, we believe that technology's impact on the compliance and procurement functions is worth exploring in more detail. Knowing that technology maturity levels and how technology is used within due diligence programs can vary dramatically, in this survey we asked respondents how they view technology as it relates to specific duties within the compliance and procurement functions.

TOP 3 AREAS WHERE TECHNOLOGY IS CONSIDERED A BARRIER	
Laws and regulation	31%
Generating internal buy-in	22%
Developing and guiding policy and procedure (creating best practice)	15%

Despite technology being a barrier at times, respondents in this survey agreed that technology is also an enabler within the compliance and procurement space.

TOP 3 AREAS WHERE TECHNOLOGY IS CONSIDERED AN ENABLER	
Market research and analysis	90%
Process management	88%
Monitoring supplier performance	88%

The vast majority of respondents have a positive view of technology and how it can be leveraged in the compliance and procurement space; just 3% reported that technology would be of no help in duties and tasks.

USEFULNESS OF TECHNOLOGY	
Will improve communication	61%
Can help better automate workflow	54%
Will help to more effectively analyze and monitor large amounts of data	61%
Will increase efficiency	72%
Technology would not be useful to help me fulfill my duties and tasks	3%

CONVERGENCE BETWEEN SUPPLIER RISK MANAGEMENT AND COMPLIANCE YIELDS CLEAR BENEFITS

Our [June 2018 survey](#) highlighted the convergence of the procurement and compliance roles, specifically in relation to their mutual focus on processes and priorities. In the current study, we looked more closely, and respondents indicated a clear benefit when bringing similar tasks together across the two departments.

HELPLEFULNESS OF UNDERTAKING BOTH PROCUREMENT & COMPLIANCE FUNCTIONS	
Duties and Tasks	Percentage
Process management	56%
Vendor management	54%
Developing and guiding policy and procedure (creating best practice)	53%
Data management	52%
Laws and regulation	50%
Monitoring supplier performance	48%
Supplier spend analysis	41%
Market research and analysis	39%
Generating internal buy-in	31%

BB Fifty-six percent of respondents who do not have combined compliance and procurement functions said the convergence of the two would have “a very” or “a fairly positive” outcome.”

PRIORITIES FOR COMPLIANCE AND PROCUREMENT PROFESSIONALS IN THE US AND THE UK

While professionals remain focused on developing comprehensive due diligence programs that mitigate risk, reduce costs, and can scale with the changes in the regulatory environment, there are some differences worth highlighting between the US and UK respondents as it relates to priorities in their roles.



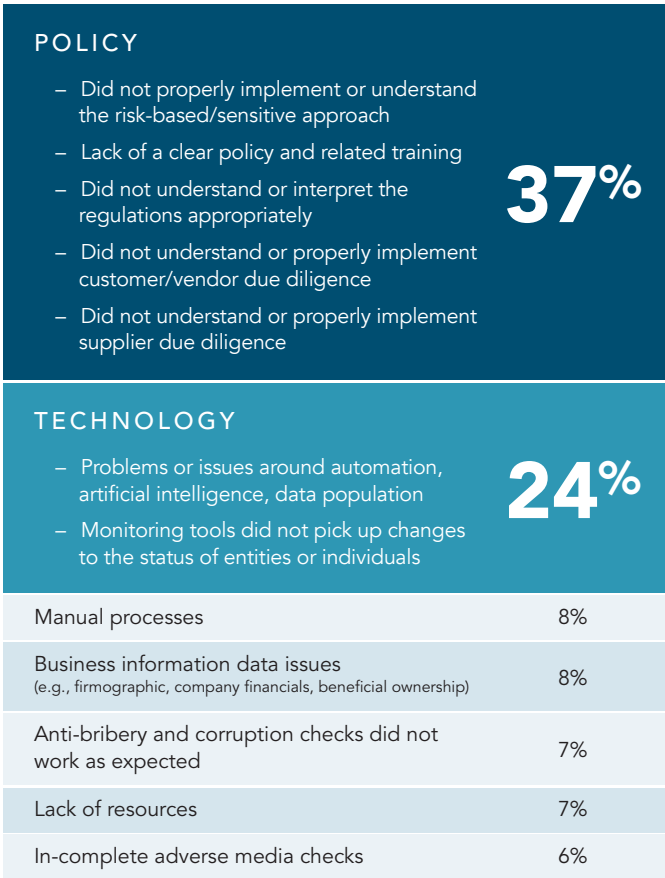
FRAUD CONCERNS REMAIN CONSISTENT

Fraud is still a major problem for compliance and procurement professionals. While respondents reported fewer incidents of fraud in the past three months compared with the first survey, the longer-term view of fraud is that it isn’t going away any time soon. Based on our daily conversations with compliance and procurement professionals, Dun & Bradstreet believes that some of the short-term improvements might be attributed to more internal training or better overall detection methods.

REPORTS OF FRAUD			
Date Range	Percentage (Jun 2018)	Percentage (Oct 2018)	Change
Past 3 Months	18%	8%	-10
Past 6 Months	13%	16%	+3
Past 12 Months	12%	23%	+11

When we look closer at fraud reporting by respondents, close to two-thirds of participants (61%) said the main contributors to fraud are policy issues and technology issues.

TOP CONTRIBUTING FACTORS TO FRAUD



Policy and technology are broad categories when considering a common concern like fraud, so Dun & Bradstreet asked the survey participants to identify within these two areas what was the biggest contributing factor to the fraud their organization experienced.

The majority of policy-related factors were identified as not properly implementing or understanding the risk-based/sensitive approach and a lack of clear policy and related training.

For technology, 55 respondents identified the failure of monitoring tools to pick up the change in entity status as the contributor to fraud.

Removing those 32 from the analysis (given global sanctions did not apply), we discovered the reasons participants feel they are “not very able” or “not able at all” to meet global sanctions:

- Gap in knowledge and training
- Lack of power to react internally
- Lack of budget or resources
- Inability to keep up with number of changes and speed at which things change



72% report fraud having an impact on their company's brand."

MANAGING GLOBAL SANCTIONS

The global world in which everyone does business has become more and more complex. Compliance and procurement professionals must not only manage third-party relationships based on today's environment but also be flexible enough to respond to any changes. With the recent shifts in sanctions, survey participants were asked to what extent they feel able to respond to this fast-changing environment.



13% reported being "not very able" or "not able at all" to respond to global sanctions."

Of the over 600 respondents, 102 reported being “not very able” or “not able at all” to meet the changing global sanctions environment. Looking closer at those responses, 32 indicated that global sanctions were not relevant to them. For example, their business has no export business or global footprint.

ABOUT THE PARTICIPANTS



617 compliance and procurement professionals took part in the survey
• 200+ US & 100+ UK for each focus



55% of all respondents are the actual decision-makers in their organization.
45% participate in the process.



12 major industries represented: Auditing, Legal, Oil & Gas, Manufacturing, Utilities, Logistics, Retail, Government, CPG, Pharma, Fast-moving Consumer Goods, and Financial Services



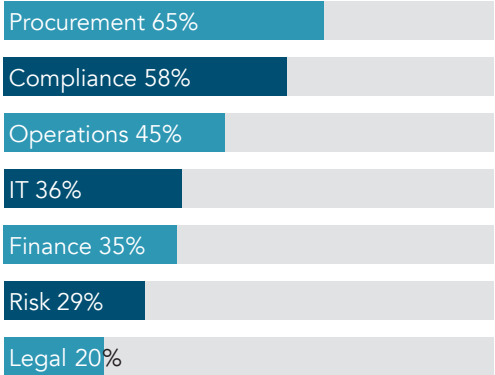
Participants worked in different departments (survey participants could cover more than one department)



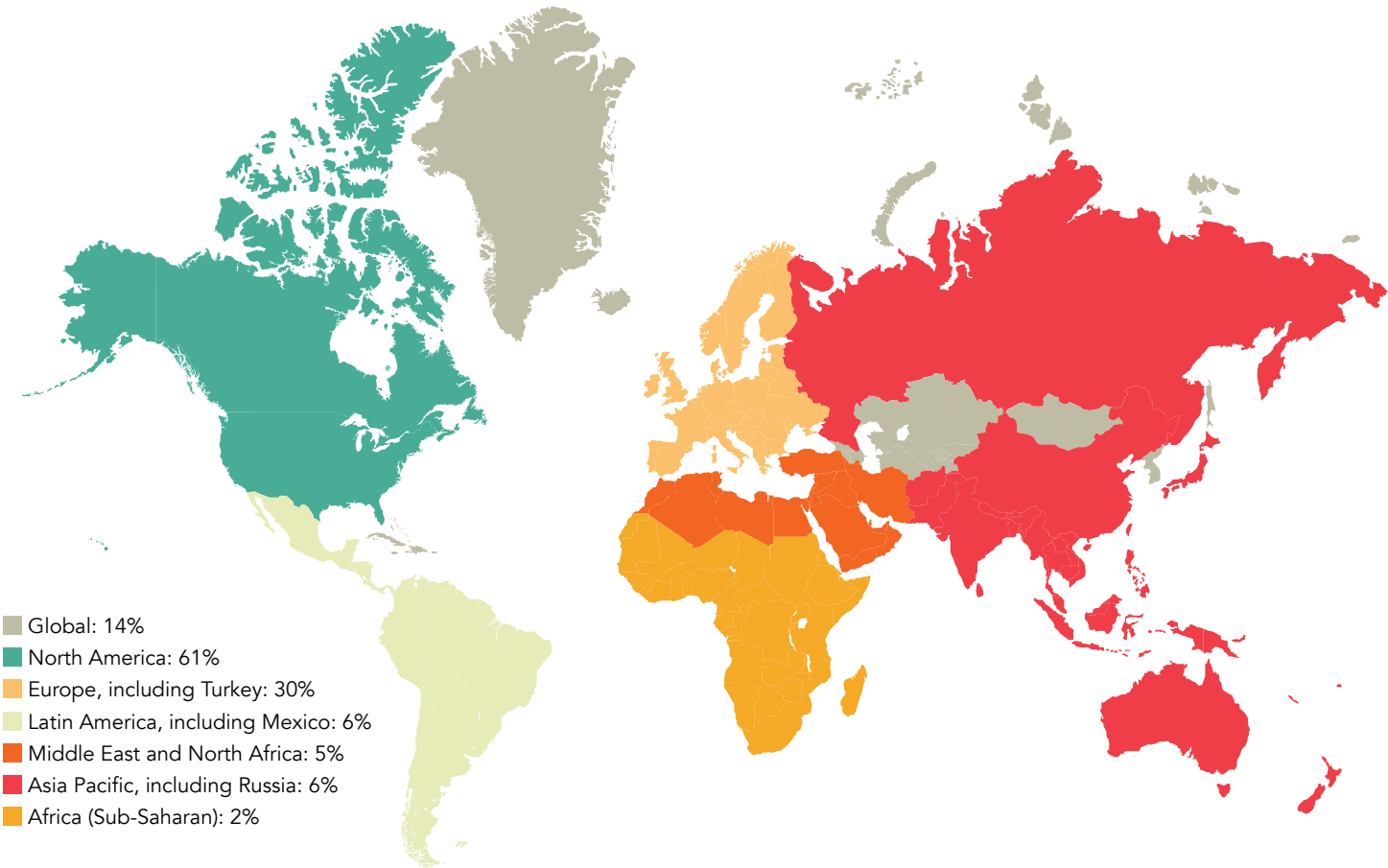
Annual company income: 45% above \$10M, 36% between \$1-10M, 14% under \$1M



One-third of respondents represent large corporations (33% with more than 1,000 employees)



LOCATIONS SUPPORTED IN ONBOARDING ACTIVITIES



METHODOLOGY

The Sentiment Index score is calculated by summing the percentage of positive respondent replies and half of the percentage of neutral ones and is based on the answers to questions regarding:

- The current and future effectiveness of the compliance and procurement function
- The impact of existing regulation on the risk to the business in the last 3 months
- Concerns on the impact of certain regulatory items on the business over the next 6 months

The first sentiment score has been normalized to the value of 100 and used as a benchmark to measure the score.

ComRes interviewed 617 Compliance and Procurement decision-makers online between July 6th and 25th, 2018 with knowledge of and/or responsibility in the decision-making process for their company's compliance/procurement function. To ensure the correct respondents were participating in the research, participants were pre-screened, targeting those in compliance and procurement decision-making roles. Screening questions were included within the questionnaire itself, asking respondents about their current role, and screening them out if they did not select compliance or procurement. Given that respondents were able to select multiple responses to this, some chose both compliance and procurement roles. Respondents were then routed to either compliance or procurement questions, but not both, to achieve the appropriate respondent base for each function.

The second screening question queried respondents on their knowledge of—or responsibility in—the decision-making process for their company's compliance and procurement function, screening out all those who were not involved in the decision-making. Following the completion of field work, data was then reviewed to ensure its validity. This involved reviewing the raw data to ensure that no survey was completed too quickly, and that any fill-in text answers contained valid responses. In this way, ComRes achieved a robust sample of more than 600 completes among compliance and procurement decision-makers.

Data results were not weighted. Full data tables can be found at www.comresglobal.com.

ComRes is a member of the British Polling Council and abides by its rules www.britishpollingcouncil.org). This commits the researcher to the highest standards of transparency.

ABOUT DUN & BRADSTREET

Dun & Bradstreet, the global leader in commercial data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Twitter: [@DnBUS](https://twitter.com/DnBUS)