

Money, Money, Money: Use of Big Data in Your Compliance Program

What is No. 2 on the biggest selling rock and roll album of all-time list? It's Pink Floyd's Dark Side of the Moon. In addition to learning that there is no "dark side" to the Moon as it is all dark really; my favorite cut off the album was the song *Money*. I was thinking about that song and how it might have some relevance to the Foreign Corrupt Practices Act (FCPA) or Bribery Act, in a rock and roll sort of way, when I came across an article in the October issue of the Harvard Business Review, entitled "*Big Data: The Management Revolution*" by authors Andrew McAfee and Erik Brynjolfsson. The authors' basic premise is that by exploiting vast new flows of information, a company can improve its performance. However, to do so there must be a corresponding change in the company's decision-making culture. In business today, many companies are concerned about having not the new thing but the new, new thing. In the FCPA world we might call that evolving *best practices* as it is another way to phrase many of the emerging business techniques and strategies that can have application to the FCPA compliance practitioner.

What is Big Data?

The authors differentiate 'Big Data' from other analytics through three key facets. First is the sheer volume of data that is now available to companies. The authors note that "more data comes across the internet every second than were stored in the entire internet twenty years ago." The second difference is in velocity with the abundance of real-time or "nearly real-time information". The authors believe that the "speed of data creation is even more important than the volume." The final difference is in the form of the data; it is not simply numbers from structured databases but "big data takes the form of messages, updates and images posted to social networks, readings from sensors; GPS signals from cell phones, and more."

A New Culture of Decision Making

While noting that the technical challenges in capturing or storing 'Big Data' can be formidable, the authors believe that the managerial challenges can be even greater. When data is scarce, expensive to obtain or not available in digital forms, the authors posit that "it makes sense to let well placed people make decisions, which they do on the basis of experience they've built up and patterns and relationships that that they've observed and internalized", in other words "intuition." The authors believe that when 'Big Data' is involved the Highest Paid Persons Opinion (HiPPO) must "be muted."

There must be a shift in thinking by the decision makers. The authors believe that two key questions should be "What does the data show?" and then follow up with some more specific questions such as "Where did the data come from? "What kinds of analysis were conducted?" and "How confident are we in the results?" However, as important as these questions might be the bigger challenge by any decision maker using 'Big Data' is that they "can allow themselves

to be overruled by the data”. The authors believe that nothing speaks louder to employees than “seeing a senior executive concede when data has disproved a hunch.”

Five Management Challenges

The authors write that there are five “particularly important areas” in the effective management of change when it comes to ‘Big Data’.

1. **Leadership.** ‘Big Data’ does not erase the need for leadership’s vision and insight. However companies will succeed using ‘Big Data’ because leadership teams “set clear goals, define what success looks like, and ask the right questions.” The authors believe that the companies who lead the way in the use of ‘Big Data’ will be those who use these time honed techniques while changing the way they make decisions.
2. **Talent Management.** While data scientists and other similar professionals skilled at working with large amounts of numbers will be important; the authors believe that “cleaning and organizing” the data so that a decision can be made will be equally important. They note that such skills are not currently taught in universities so that company personnel will need to develop the ability in “crossing the gap between correlation and causation.”
3. **Technology.** The authors recognize that at the end of the day it is people who will analyze the data but that technology is “always a necessary component of a ‘Big Data’ strategy.” They also believe that the tools available to handle ‘Big Data’ are out there in the marketplace but there is still a skill set required that most IT departments do not have, which is to “integrate all the relevant internal and external sources of data.”
4. **Decision Making.** Here the authors believe the key is that company personnel who understand the problem must be brought together with the right data and that these same personnel must have “problem solving techniques that can effectively exploit” the ‘Big Data’. This requires a company leadership which puts “information and the relevant decision making rights in the same location”. The authors termed it as the “not invented here syndrome” and that employees must work throughout the decision making calculus.
5. **Company Culture.** In addition to moving away from the HiPPO syndrome noted above, executives must stop claiming that they are using data and analytics to make decisions when they are simply spicing up their reports “with lots of data that supported decisions they have already made”. The authors believe that the first question that a company should ask is not “What do we think?” but “What do we know?” Such an inquiry will allow businesses to gravitate away from making decisions based on “hunches and instinct” to those based upon the data.

What about the application of ‘Big Data’ to FCPA and Bribery Act compliance? I think this article shows the power of not only data analytics but also continuous monitoring. In their article the authors end by stating “Data-driven decisions tend to be better decisions.” The same is true in compliance. Whether you use a software tool, such as Catelas software to pull down large

amounts of information and make decisions based upon this data or design a protocol to continually monitor segments of your information through the guys at Visual Risk IQ, cutting edge technology is available to assist the compliance practitioner. But with all data, the key is how to use it and I believe that compliance practitioners who can review large amounts of information from their own internal company and analyze it quickly and efficiently will be able to better protect their companies and keep them in compliance. This will inevitably lead to more complete and better decisions and companies will be able to respond more quickly to compliance challenges as they arise.

And Pink Floyd? Just remember, Money, Money, Money...

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