

Compliance, Diplomacy, and the Bottom Line

The alcoholic beverage industry is one of the most highly regulated in the country, and the costs of compliance are substantial. Some of the costs are obvious: the salary of the company's compliance officer, the licensing and other fees required, the possible penalties and fines, the loss of sales and even of customers if price changes, new product releases, or business openings are delayed for lack of needed approvals. But some of the largest costs in terms of compliance—and the largest benefits, for that matter—are hidden. They are the costs or benefits of the conditions, relationships, and expectations created by the manner in which compliance work has been handled. This is a matter of company image, as well.

Compliance personnel, whether they are owners, employees, or consultants, are agents of the company. They represent their company (or their clients) to the world. Compliance personnel have contact with many, many people—in your firm, with the government, and in the marketplace. Through compliance activities, every company develops a relationship (or more accurately, many individual relationships) with the government. The goodwill factor within the government-company relationship will significantly impact the efficiency with which work can be done and approvals can be secured. Compliance agents (and those who hire compliance agents) need to realize that

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although government agents are paid to be even-handed, they are still people. As human beings, government representatives cannot help but respond to the manner in which they are approached. Therefore, if a company treats the regulators well, the regulators treat the company well in return. Otherwise, one should not be surprised if approvals seem to get a little stickier, a little slower, and enforcement seems to tighten a bit.

According to the nature of his or her contact with the world at large, a compliance agent is going to create unfavorable or favorable relations with government. Any action that creates ill-will creates a debt or debit in the goodwill account. If one compliance agent creates ill-will for the firm he represents, his or her successor may inherit a negative balance. That can mean a struggle against the conditions created for the company by the previous agent.

Unfavorable relations, then, are hidden costs of a bad compliance job, debts left to be paid off after the job is finished. Where governmental relations are concerned, we may continue to pay off the adverse accounts for a while—often months, or in the extreme, years.

Recovering from Unfavorable Conditions

To the extent that conditions established are not favorable, they must be brought up to a neutral level before positive conditions can be established.

Usually, remedying unfavorable conditions is not all that difficult. Government agents are immediately relieved if their contacts improve. The key is to get a good diplomat on the job, and keep him or her there so that the government contacts relax, the company image is brought back to a high shine, and good relations are restored.

Recognizing A Good Job in Government Compliance

If you need compliance work done, you want your agents to do a good job.

A good job in government compliance has these four characteristics:

1. **It's Technically Correct**, by accurately and appropriately fulfilling the legal requirements. Personal attributes required: knowledge, intelligence, experience, precision, thoroughness.

2. **It Supports Production**. It does not obstruct, limit, or delay production, marketing, or sales. Personal attributes required: knowledge, efficiency, timeliness, good communication for coordination within the firm and with vendors (i.e., label printers, etc.) and government.

3. **It Creates No Unfavorable Conditions**—no ill will, bad morale, conflict or discord—inside or outside the company, nor any bad reputation or bad company image with government. Personal attributes required: humility (the willingness to freely acknowledge errors), appreciativeness, non-reactivity (good humor and even-temper),

4. **It Builds Favorable Conditions**, a good company image, goodwill, and favorable feelings. Goodwill is money in the bank when it's time to get things done. Personal attributes are the same as above.

A Bad Job in Government Compliance: What Not to Do


- Show disrespect or a desire not to comply by "shopping around" for answers (asking the same question to many bureaucrats, hoping to get a more favorable answer).

- Submit sloppy or incomplete paperwork that causes the government official extra time to process.

- Exert insufficient effort to learn the rules before questioning them, thus making the official feel forced into doing the compliance agent's job for him or her.

- Adopt an adversarial stance in dealings with the government.

- Refuse to cooperate with governmental requests.

A good compliance agent will build up a useful bank account of goodwill for your firm. Should that agent leave, you may continue to enjoy the legacy of good will her or she has banked in your account. The goodwill tends to grease the wheels and make operations smoother and variances easier to come by as long as it lasts. And if goodwill is maintained by the new agents, of course, it will last indefinitely. 



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