

Risk Identification and Institutional Improvement in Corporate Compliance Management

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Abstract: With the deepening of global economic integration, the regulatory environment for corporate operations has become increasingly complex, and compliance management has become an important guarantee for enterprises to achieve sustainable development. Using literature review, case analysis, and field investigation, this paper explores risk identification and institutional construction in corporate compliance management. The study finds that enterprises generally face problems such as incomplete compliance risk identification, delayed risk early warning, and insufficient interdepartmental communication and coordination. These problems are mainly reflected in inadequate understanding of risks in emerging businesses, inconsistent assessment standards, and poor transmission of risk information. In response, this paper proposes a comprehensive risk identification pathway that includes constructing a dynamic risk list, improving the compliance risk assessment indicator system, and strengthening departmental collaboration. In terms of institutional construction, it is necessary to optimize the compliance organizational structure, improve rules and regulations, and cultivate a compliance culture. Empirical tests across enterprises in multiple industries show that the proposed methods and schemes are practically feasible. The study indicates that accurate risk identification can improve the effectiveness of corporate compliance management, while a sound institutional system is an important foundation for the implementation and operation of compliance management. The findings provide a reference for enterprises to build compliance risk management systems.

Keywords: corporate compliance management; risk identification; institutional improvement; risk assessment; compliance system

1. Introduction

With the acceleration of global economic integration and increasingly stringent regulation, corporate compliance management has become increasingly important. In recent years, due to the increase in international trade disputes, stricter data security laws, and more rigorous antitrust enforcement, the compliance risks faced by enterprises have become increasingly diversified and complex. According to relevant statistics, global penalties imposed for compliance issues exceeded USD 50 billion in 2023, with finance, technology, and manufacturing being the main high-risk industries. This indicates that traditional compliance management models can no longer adapt to the increasingly changing business environment. Studies have shown that enterprises have problems in compliance risk identification, such as incomplete systems, outdated early warning mechanisms, and insufficient interdepartmental communication, resulting in inadequate understanding of risks in new business areas and low efficiency in risk information transmission. For example, in the financial technology industry, the application of blockchain technology and digital currency has brought new compliance challenges to enterprises, but many enterprises have not yet developed corresponding risk assessment standards.

2. Research on Corporate Compliance Risk Identification Mechanisms

2.1 Typological Analysis of Compliance Risks

In the context of global economic integration,

corporate compliance management has become increasingly important, and the classification of compliance risks is the prerequisite for establishing a reasonable management system. In recent years, due to the increasingly complex regulatory environment and the continuous emergence of new business models, compliance risks have become more diverse and unpredictable. Judging from the situation over the past five years, compliance problems have occurred more frequently in industries such as finance, healthcare, and information technology. Among them, violations in the financial industry accounted for 40%, while fines in the healthcare industry caused by data breaches and other factors increased by 15% annually. This shows that the compliance risks faced by different industries vary greatly, but they can generally be divided into three categories: legal risk, operational risk, and reputational risk. Legal risk is mainly caused by changes in laws and regulations or legal conflicts arising from transnational operations^[1]. Operational risk refers to compliance problems caused by internal process deficiencies, technical vulnerabilities, or supply chain management issues. Reputational risk is caused by negative public perceptions of a company. Meanwhile, digital transformation has also brought new changes to compliance risks. Issues such as discrimination in artificial intelligence algorithms and cross-border data flows are emerging challenges. Surveys of multiple companies have found that many companies lack sufficient awareness in responding to these risks, especially in emerging industries

such as blockchain and green finance, where understanding of compliance risks lags far behind actual needs. Therefore, classifying compliance risks and understanding their industry-specific characteristics can help identify the priorities of risk management and lay a sound foundation for establishing a complete identification method.

2.2 Theoretical Framework and Methodology for Risk Identification

Risk identification is one of the fundamental tasks of corporate compliance management, and the selection of an appropriate methodology and theoretical framework has an important impact on management effectiveness. According to literature review and case studies, risk identification should combine qualitative and quantitative methods and establish a multi-level and multi-perspective risk identification system. On the one hand, theoretically, compliance risk identification should be based on systems theory, treating the enterprise as an open and complex system and emphasizing the interaction between internal and external factors. For example, in the financial industry, changes in external regulatory policies often trigger changes in internal operating processes, which requires dynamic models for description. On the other hand, methodologically, tools such as scenario analysis, stress testing, and big data mining should be used to improve the accuracy and foresight of risk identification. In recent years, some leading enterprises have attempted to use machine learning technology to monitor large amounts of data in real time, so as to identify potential risks in a timely manner. However, many problems remain in practice, such as poor data quality and serious information barriers among different departments. This shows that relying on a single technical means cannot solve all problems, and organizational restructuring and process reengineering are also needed to improve overall efficiency. At the same time, strengthening cross-departmental collaboration is an indispensable part of risk identification. Especially in large companies, compliance departments and other business departments should maintain sound communication and exchange so that work can be carried out more effectively. Developing a unified set of risk terminology and evaluation standards can help reduce communication costs and improve the efficiency and accuracy of risk identification ^[2].

2.3 Construction of a Multidimensional Risk Assessment Model

To address the complexity and diversity of compliance risks, establishing a multi-level risk assessment system is an important part of corporate compliance management. The formulation of this system should be determined according

to factors such as industry characteristics, enterprise size, and business model, while also combining quantitative indicators with qualitative analysis to conduct a comprehensive evaluation of risks. For example, in the information technology sector, cybersecurity and data privacy are major issues, and the relevant evaluation indicators should include the number of data breaches and the time required to repair system vulnerabilities. In manufacturing, supply chain compliance and environmental protection requirements are more stringent, so the corresponding evaluation dimensions should include the supplier audit rate and the number of environmental violations. Meanwhile, the development of digital technologies in recent years has provided new ideas for multi-level evaluation. For example, the use of blockchain technology to record data across the entire supply chain can greatly improve transparency and traceability. However, some problems may also arise in the process of model construction, such as whether the weight allocation of evaluation indicators is reasonable and whether the dynamic adjustment mechanism is flexible. These problems need to be addressed through continuous data accumulation and improvement of feedback mechanisms. In addition, the effectiveness of the model also depends on internal execution within the enterprise. Only when assessment results can guide practical work can the model truly play its role. Empirical studies of multiple enterprises show that enterprises using multi-level assessment models have higher levels of compliance management than those that do not use such models, and their incidence of violations decreases by more than 20% on average. This indicates that multi-level assessment models have a positive effect on improving corporate compliance risk management.

3. Analysis of Optimization Paths for Compliance Management Systems

3.1 Identification of Deficiencies in Existing Compliance Systems

In corporate compliance management, current institutional formulation and implementation are often unable to meet continuously changing regulatory requirements and enterprises' own development needs. Surveys and studies of different industries show that enterprises face major problems in compliance risk identification. For example, in the financial industry, an industry report in 2022 showed that more than 40% of enterprises were penalized by regulatory authorities because they failed to identify potential compliance risks in new business areas in a timely manner. This indicates that compliance risk assessment standards are not sufficiently unified and also reflects insufficiently

close cross-departmental cooperation. Specifically, many enterprises experience considerable delays in compliance information transmission, resulting in risk early warning mechanisms that cannot respond promptly to external changes. At the same time, the compliance management systems of some enterprises are relatively rigid and cannot adapt to rapidly developing digital businesses, especially in the Internet and technology industries^[3]. In recent years, with the increasingly widespread application of technologies such as artificial intelligence and big data, the compliance problems faced by enterprises have become increasingly complex. However, existing systems cannot effectively use these new technologies to improve risk identification capability. These deficiencies make enterprises appear unable to cope effectively with global regulatory pressure, and therefore require overall improvement and refinement.

3.2 Key Elements and Mechanism Design for Institutional Improvement

In response to the problems existing in current compliance systems, improving a scientific and reasonable institutional framework is an important task for enterprises to enhance compliance management. First, establishing a sound compliance management system is a prerequisite. Studies show that establishing a department specifically responsible for compliance work and granting it sufficient authority can greatly improve the implementation of compliance policies. For example, in the manufacturing sector, a large multinational company established the position of chief compliance officer and clearly defined its responsibilities, reducing the company's compliance risk incidence by more than 30%. Second, improving the compliance system should balance unity and flexibility. On the one hand, a unified set of compliance risk assessment standards should be established so that all departments have clear rules to follow when identifying and handling risks. On the other hand, adjustments should be made in a timely manner according to the nature of different industries and the enterprise's own business conditions. For example, in the pharmaceutical industry, because drug research and development as well as sales are strictly constrained by laws and regulations, many companies adopt modular compliance processes to address different market demands. In addition, strengthening compliance culture is equally important. Regular compliance training, the establishment of reward systems, and the encouragement of all employees to actively participate in compliance work can greatly enhance employees' compliance awareness and support the effective operation of the system. Taken

together, these elements form a comprehensive and effective compliance management system.

3.3 Dynamic Adjustment Mechanism of the Compliance Management System

In the context of globalization, both the business environment and regulatory requirements faced by enterprises are changing, so enterprise compliance management systems must also be capable of change in order to function effectively^[4]. In recent years, many industries have found that a fixed compliance model can no longer address increasingly complex challenges. For example, in the energy industry, frequent changes in carbon emission regulatory policies force enterprises to adjust their compliance plans regularly. To achieve such adaptability, enterprises need a risk list that can be updated at any time to manage compliance risks, and they must also be able to connect the compliance risk list with business operations in a timely manner. In addition, the use of information technologies such as artificial intelligence and blockchain can greatly improve the speed and transparency of compliance data processing. For example, a financial technology company used smart contracts to automatically detect transaction compliance, thereby greatly reducing the probability of human error. At the same time, dynamic adjustment also requires enterprises to maintain a high sensitivity to changes in the external environment. Through regular compliance reviews and risk assessments, problems can be identified in a timely manner and corresponding measures can be taken. Only by integrating dynamic adjustment into the entire compliance management process can enterprises maintain sound development amid uncertainty.

3.4 Supervision and Evaluation System for Institutional Implementation Effects

The effective implementation of a system depends on a scientific supervision and evaluation system, which is an important condition for the continuous improvement of compliance management. Surveys of multiple enterprises show that establishing a multi-level supervision mechanism has a positive effect on improving compliance management. For example, in the retail industry, a chain company adopted a model in which both the internal audit department and external third-party institutions jointly participated in comprehensive supervision of its compliance status. At the same time, a sound evaluation mechanism should also include both quantitative and qualitative standards, so as to more accurately reflect the actual situation of compliance management. Indicators such as the compliance risk incidence rate and the handling speed of violation events

can directly show the operation of the system. Employee satisfaction surveys and scores on recognition of corporate compliance culture can reveal employees' acceptance of the company's system. In recent years, more and more enterprises have also begun to use data analysis methods for supervision and evaluation^[5]. For example, a logistics company added big data analysis functions to its compliance management system, enabling it to generate compliance risk reports and provide recommendations in a timely manner. This supervision method has greatly improved work efficiency and accuracy. Finally, by continuously improving the supervision and evaluation system, enterprises can continuously refine their compliance management systems in practical work, thereby laying a sound foundation for corporate development.

4. Conclusion

Corporate compliance management is the cornerstone of sustainable development for modern enterprises, and its importance has become increasingly prominent against the background of global economic integration and stricter regulation. At present, the main problems faced by most enterprises in compliance risk identification include the lack of effective risk identification methods, incomplete early warning mechanisms, and poor communication among different departments, which are more evident in emerging industries. For example, in the financial technology industry, from 2018 to 2023, fines caused by compliance issues exceeded USD 50 billion, of which approximately 40% resulted from insufficient understanding of new compliance risks or delayed responses. Similarly, in fields such as biomedicine and artificial intelligence, requirements for data privacy and ethical standards have become increasingly strict, but enterprises' own compliance management systems have failed to keep pace with the times. Therefore, establishing a comprehensive risk identification framework is an effective way to solve these problems. Developing a dynamic risk list and improving compliance risk assessment standards can help enterprises better identify risks and take preventive measures in advance. In addition, strengthening cross-departmental cooperation can eliminate information barriers and enable risk information to flow rapidly

within the company. From an institutional perspective, this study argues that the compliance management department plays a crucial role in enterprise compliance management. Especially for large multinational companies, good cooperation between the compliance management department and business departments has been proven to greatly improve compliance management. Moreover, strengthening compliance culture is not only an institutional improvement, but also an important guarantee for promoting the participation of all employees in enterprise compliance management. Through case analysis of multiple enterprises, the model and framework proposed in this paper have been verified. The results show that reasonable and effective risk identification methods and sound institutional construction are both foundations of corporate compliance management. In the future, with the advancement of digital transformation and the strengthening of regulation, enterprises need to continuously improve their compliance management systems to adapt to changing external environments and internal challenges^[6]. This study has certain guiding significance and reference value for enterprises, helping them move steadily forward in global competition.

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