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FACTORS FACILITATING COMPLIANCE IMPLEMENTATION – CASE STUDY RESULTS FROM MULTINATIONAL ENTERPRISES

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Abstract

Number and complexity of compliance requirements for companies steadily increase. Enterprises focus on the implementation of compliance programs to ensure conformance with rules and regulations. However, it is the employees' compliant behavior and their understanding of compliance requirements that support realization and ensure conformance. Thus, companies must ask how to integrate employees into compliance programs and how to foster their understanding for compliance necessity. The paper at hand explores how key compliance components are implemented in practice and which factors facilitate the implementation of these components. Based on multiple case studies, two central key findings are identified contributing to the discussion of compliance implementation. First, the tone at the top facilitates compliance by strongly supporting a compliance culture which in turn positively influences the implementation of all four key compliance components. Second, the key component compliance reporting and controlling is not only supported by compliance facilitators but also builds the foundation for one of them. The facilitator incentive systems must be based on comprehensive compliance performance measures to provide a common understanding of compliance goals in a company. Additionally clear measures provide the basis to identify eligibility for incentives or the imposture of sanctions. In this context, the set up of a compliance performance measurement system is discussed, highlighting the necessity of basing it on adequate information system structures.

Keywords: Compliance implementation, compliance facilitators, key compliance components, compliance reporting, tone at the top, incentive systems.

1 Introduction

The term „compliance“ emerged from the Anglo-Saxon linguistic usage and can be translated into adherence, obedience, conformance with laws, rules, standards and other regulations (Hauschka and Buck-Heeb 2007; Zimmermann 2004). Besides these external legal aspects, compliance furthermore comprises the adherence to companies' internal regulations as well as the voluntary fulfillment of other requirements which are in the stakeholders' interest (Menzies et al. 2008). It is also understood as the sum of all organizational measures to ensure adherence to regulations and standards by companies and their employees (Rodewald 2006).

Especially the enactment of the Sarbanes-Oxley act in 2002 as response to the bankruptcy of companies like Enron or Worldcom drew the financial community's attention to compliance management and boosted its discussion in theory and practice (Menzies 2006). Latest compliance incidents were conducive to its continuously rising importance. Companies are increasingly focusing on the implementation of compliance programs to avoid non-conformance with rules and regulations. However, despite the intense focus on compliance implementations, so far only few empirical studies provide insights into compliance implementations in practice. Therefore, this paper analyzes how organizations have implemented key compliance components to ensure conformance. It additionally explores which factors facilitate employee involvement and with it the implementation of these components, thereby addressing the following research questions:

1. How do companies implement key compliance components in practice?
2. Which factors facilitate employee participation and understanding to ensure the successful implementation of these components?

With focus on these research questions at first the research background is evaluated to capture the current status in literature. Based on the background, the main part of this paper comprises an empirical exploration using the case study method to analyze eight cases of multinational enterprises. The findings of this analysis are subsequently presented. Finally a discussion of the implications of the research approach and of research findings is conducted. The paper closes with a conclusion and an outlook on future work.

2 Research Background

Despite its rising attention in IS research, organizations struggle with finding the right guidance on approaches to compliance management (Syed Abdullah et al. 2009). In a gap-analysis between research-based solutions and the current needs of compliance professionals Syed Abdullah et al. (2010) present an industry-relevant compliance management research agenda. Among other points the authors clearly identify the need for investigation on tools and methods to *“be used to incentivize employees to do the right thing and adapt their practices”* (Syed Abdullah et al. 2010). To highlight this discussion in IS research the following section 2.1 captures the status of compliance implementation as discussed in literature. Furthermore section 2.2 highlights the current discussion of factors that facilitate compliance implementations in order to identify our main focus of research and derive questions to further deepen the understanding of compliance facilitators in the qualitative study conducted.

2.1 Compliance Implementation

Most companies already implemented a compliance organization according to legal requirements or are currently accomplishing the implementation process. As a starting point for this process, companies frequently aim to identify areas facing significant compliance risk via a risk assessment (Roach 2007). Having identified relevant areas, companies initiate the actual compliance implementation. Here, a structured compliance organization, a code of conduct or code of ethics,

compliance trainings as well as an appropriate compliance reporting and controlling are key components of an effective compliance program to be implemented (Schwartz et al. 2005; Bauer 2008).

Many companies established a central department for implementing and securing compliance which ideally mirrors the organizational structure (Amberg and Panitz 2009). It is usually led by a chief compliance officer (CCO) who organizes and coordinates all compliance efforts within the company and accounts for them towards the management.

The compliance department develops a code of conduct that comprises operational and behavioral guidelines for employees (Wecker and Galla 2008). It is supposed to ingrain accountability into employees' day-to-day way of thinking and behaving within the organization and in the set of values, beliefs and attitudes that shape organizational activities and interactions (Busco et al. 2005). The code also serves as an organization's tool to communicate compliance expectations towards the personnel.

Central compliance content is supported by trainings. It allows among other personnel development measures for a long-term integration of the compliance organization within the company (Menzies 2006). Employees have to complete compliance trainings in order to be informed about compliance, to be well prepared for any compliance issues and to understand compliance requirements within their organization.

To report the compliance status, a compliance reporting and controlling becomes necessary that ensures the availability of all relevant information for the company's management and other stakeholders (Hauschka and Buck-Heeb 2007). The International Federation of Accountants (IFAC) (2007) suggests the consideration of performance indicators reported in a compliance reporting also within the employees target agreement. These may build the basis for an employee's performance rating.

2.2 Factors facilitating compliance implementation

Compliance implementations are more likely to succeed in a compliance culture deeply incorporated in the company and adhered to by everyone. To implement such a culture within a company and thus ensure employee understanding and involvement, an ethical behavior of the management - the tone at the top - is considered imperative. It constitutes the adherence to and promotion of a specific company culture by management (Hansen et al. 2009). If it is non-existent, employees on their part will not openly embrace the ideas of compliance and adhere to rules and regulations but refuse their commitment (Hauschka and Buck-Heeb 2007). Thus, management has to commit to integrity and propagate this spirit into the organization and its people to establish a compliance culture (Sheeder 2005). Managers are required to act as an example in order make employees understand that company policies are in accord with their own values. Otherwise people will become less intrinsically motivated to follow them (Tyler and Blader 2005).

A method to extrinsically promote desired employee behavior is an incentive scheme. It contains stimuli, which trigger specific behavioral patterns through positive incentives and decrease the possibility of undesired behavior through sanctions (Berthel and Becker 2003). Differently put, it directly involves employees in taking the right actions by relating the incentives to the outcome of their behavior. Incentive systems are commonly seen as the reason for the change of attitudes. Employees adopt those attitudes that are rewarded. Considering the principal-agent theory an incentive system is characterized as elementary to induce the employees as agents to desirable behavior (Berrone and Gomez-Mejia 2009). Nevertheless the combination of compliance components with compliance incentive systems is controversially discussed in literature.

On the one hand adequate incentives are assumed to be of support to effectively accomplish a change project like the implementation of compliance and to sustain compliance throughout business operations. The set up of an incentive system is seen as an integral part of any compliance program (Murphy 2009). Also various countries grant benefits in the case of a lawsuit concerning compliance

violations if the existence of such incentives is verifiable. A study by the IFAC (2007) finds that, following the guidelines of International Standards on Quality Control, a performance measurement system should contain the dependency of bonus payments, promotions and other miscellaneous acknowledgements on the adherence to ethical standards, additional rules and company regulations. Furthermore it recommends sanctioning rule breaches through disciplinary measures. Deeper insights in the usage of incentives point out that some employees in the compliance area already receive stimuli (Snell 2005). Thus, employees in person internalize compliance since their compliance related actions and achievements are linked to benefits and sanctions.

Despite these advantages a study conducted in 2009 arrives at the conclusion that just little has been done so far to implement compliance incentives. Thus, it is criticized that employees could be under the impression that their employer does not consider a behavior in conformance with laws, rules and regulations important (Health Care Compliance Association (HCCA) and Society of Corporate Compliance and Ethics (SCCE) 2009). So far only approximately sixteen percent of the examined companies link bonus payments and other stimuli with compliance goals. On the other side, also counter-arguments can be found which reject an integration of compliance into the bonus systems. Such arguments include (Murphy 2009):

- Compliant behavior is to be taken for granted. Employees must not be additionally rewarded for carrying out their regular work.
- Ethical behavior is difficult to measure.
- Compliance targets are, in contrast to other areas in performance measurement, far too subjective.

Finally incentives have to be critically watched since the degree of adherence to a code of conduct is not easy to measure and to control and paying regard to organizational standards is considered to be a natural obligation to any organizational member (Talaucar 2006). It is also proven that incentives can lead to a reduction of employee effort whereas many other studies confirm the effectiveness of incentive systems which again highlights the heterogeneity in the incentives discussion (Bénabou and Tirole 2006). Table 1 summarizes our findings concerning the research background.

Key Compliance Components	Compliance Facilitators	
	Tone at the top	Incentive systems
<ul style="list-style-type: none"> • Central compliance departments. • Code of conduct. • Compliance trainings. • Compliance reporting and controlling. 	<p>The tone at the top is imperative for the establishment of a compliance culture.</p> <p>Employees will not adhere to rules and regulations, if management does not support organizational integrity.</p>	<p>Pro: Incentive systems involve employees by rewarding conformance and sanctioning rule breaches.</p> <p>Contra: Compliance is a natural obligation.</p>

Table 1. Key findings of the research background

3 Empirical exploration

In order to gain empirical insights into the implementation of compliance components in practice and the practical usage of compliance facilitators, multiple case studies were conducted between June and August 2009. The case study method was chosen since it tends to draw a realistic as possible picture of the real world (Lamnek 1995). It also provides insights in areas with relatively few information (Brüsemeister 2008), as it is the case for the examined topic. To gather the data, ten experts from eight different companies were interviewed. They were identified by a sponsor who is head of corporate legal and compliance of a major internationally operating German company. The sponsor utilized his network within the community of compliance professionals to initially contact the experts. The sample

therefore can be considered a convenience sample. Nevertheless, expert knowledge is closely related to career and occupational experience (Bohnsack et al. 2006). Therefore we focused on the identification of employees with a managerial role in the area of compliance which again softens the negative impact of choosing a convenience sample and allows for drawing generally accepted conclusions. Three of the interviews were conducted at the same company and therefore provide different views on the same compliance initiative which is why these are combined to a single case in the research structure (see Eltec | 1 in Table 2). Five (chief) compliance officers, a head of legal and regulatory affairs and four senior compliance managers were among the list of experts. The interviews were conducted face-to-face and based on an interview guideline which was ex ante sent to the experts. These problem-centric expert interviews are used in empirical social research as an instrument of qualitative research and result in an insight into relevance structures and underlying experiences of the interviewees (Schnell et al. 1999). The companies were Germany-based and internationally operating and belonged to different industry sectors. So it was possible to get a more comprehensive overview and again diminish the convenience samples impact. Among the cases were enterprises of the automotive, logistics, telecommunications, services, pharmaceutical, industrial equipment and electro-technical engineering sectors.

The experts were asked to give their insights and opinions on key components of their compliance program and the usage of facilitators in this program. Introductory the status and major components of a compliance implementation in companies were retrieved. In addition the available reports and analyses as well as the process of agreeing on compliance goals were examined. This data was gathered by questions about content, complexity and recipients of a compliance controlling as well as the experts position on an inclusion of compliance goals into target agreements. Finally the approach of the companies for communicating company values was analyzed. Also company-specific views on the importance of the tone at the top as well as the utilization of incentives and sanctions to enhance compliance target achievement were evaluated. All interviews were recorded and transcribed by the interviewer. Transcripts were reread for completeness and understandability by the advising researcher. Then the data was arranged into the eight different cases for which, based on the transcripts and further readily available general information, the case profiles containing the qualitative data were created. Table 2 gives a brief overview of the investigated cases.

Case	Auto 1	Logis 1	Telco 1	Serv 1	Pharma 1	Indus 1	Eltec 1	Eltec 2
Experts	SCM	CCO	CO	Head of legal	CO	SCM	CO / SCM A&B	CCO
Number of countries	17	10	50	18	36	100	190	60
Number of employees	270.000	19.000	260.000	22.000	110.000	120.000	400.000	280.00
Compliance organization	Centralized office	Different corporate projects	Centralized office	Legal dept. in charge	De-centralized officers	Centralized office	Centralized office	De-centralized officers
Code of conduct?	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Compliance trainings	Mandatory web-based	Web-based & class-room	Web-based & class-room	Web-based	Local & web-based	n/a	Web-based	Case studies & web-based
Compliance reporting	Different reports on initiatives	Some structures are set up	On a regular basis	Re- porting to CCO & board	n/a	Identifi- cation of process weak- nesses	Progress is reported quarterly	n/a

CCO: Chief Compliance Officer, CO: Compliance Officer, SCM: Senior Compliance Manager

Table 2. Case Overview

The data was encoded and structured. The coding was executed according to central topics identified. Based on the interviewees' descriptions these passages were assigned paraphrases that capture the statements' essentials. In relation to the research background, patterns were searched throughout the cases and similarities as well as differences were identified and discussed. Finally the relationship between key compliance components and their facilitators was examined. Table 3 gives an example concerning our analysis procedure.

Case	Quote	Paraphrase	Facilitator of compliance
Telco 1	The code of conduct is the “bible of values” in our company. If an employee violates the code, this is considered a compliance breach. Every employee has to strictly adhere to the code of conduct.	Code of conduct seen as elementary.	Sanctions for non-conformance with the code. Tone at the top to support ethical employee behavior.
Pharma 1	The code of conduct is considered as elementary within our company and within our compliance system. A code of conduct sharpens employees' awareness of rules and values and provides recommendation on how to behave ethically.	Code of conduct seen as elementary.	Sanctions for non-conformance with the code. Tone at the top to support ethical employee behavior.
Auto 1	We consider trainings very important since they sensitize employees for compliance requirements.	Compliance trainings are essential.	Incentives based on training completion rates / Sanctions for non-completion.
Eltec 2	Our Managers and employees in identified high-risk areas are required to complete all compliance trainings such as compliance case studies or online trainings.	Compliance trainings are essential.	Incentives based on training completion rates / Sanctions for non-completion.
Logis 1	We use online and classroom trainings that differ according to area of responsibility and employee seniority. All of our employees' training progress is closely controlled.	Compliance trainings are essential.	Incentives based on training completion rates / Sanctions for non-completion.

Table 3. Analysis procedure - coding example

4 Findings

In the following, the identified key compliance components and their implementation in the examined multinational enterprises will be presented. Here, each component will also be discussed with strong relation to respective compliance facilitators in order to outline the support of employee involvement and understanding for compliance implementations.

Key component “compliance organization”: In the majority of the cases a central compliance organization is available which is supported by various de-central compliance managers. Within this organization different hotlines are used. They vary from whistleblower hotlines that employees can use to notify the compliance organization of rule breaches to compliance helpdesks. These are used to ex ante answer employees' compliance-related questions instead of only imposing sanctions in non-conformance cases. Finally, internet-based systems with call-back options are in place. The experts were discussing these components of the compliance organization very controversial in terms of their preventive measures. They agreed however on their value in reducing uncertainty as well as increasing transparency and providing adequate guidance. The following quotes illustrate our findings:

“I don't think that a whistleblower hotline does provide prevention to compliance violations since most of the reports comprise violations already committed”. [Indus | 1; Senior Compliance Manager]

“Our helpdesk provides a strong preventive effect since our employees can check on the appropriateness of their behavior ex ante to avoid compliance breaches”. [Auto | 1; Senior Compliance Manager]

Factors facilitating the compliance organization: In some companies the penetration of the enterprise with and status of compliance activities is measured. Incentives are used as extrinsic support to involve employees in goal achievement and to ensure accomplishment of target key performance indicators (KPIs). Usually these incentives are twofold. The first type considers the penetration of the enterprise with compliance activities and is not available for all employees. Only responsible compliance project managers who account for the creation of a compliance organization are entitled to receive financial bonuses if hotlines or helpdesks are set up within a given timeframe or compliance projects are delivered in time and in budget. The second type of incentives supports the compliance organization’s operations. These incentives are granted for solving or answering helpdesk request in the given service level agreements¹ or for the successful tracking and solution of reported incidents. This type of incentive usually also results in financial bonuses or at least in employee recognition in a company’s internal communications.

“Among other things, our chief compliance officer reports to the board about compliance operations. That is for example the number of compliance incidents and their remediation status or the number of inquiries with the compliance helpdesk. Of course his performance is measured against these KPI’s and within the compliance organization he passes on benefits top down to motivate his employees to solve compliance incidents or inquiries as quick as possible”. [Serv | 1; Head of legal and regulatory affairs]

“We designed a compliance toolkit which had to be implemented within a predefined timeframe and according to a given prioritization. Our compliance project managers were measured against these specifications and rewarded according to their level of achievement”. [Eltec | 1; Senior Compliance Manager A]

Key component “code of conduct”: In many of the cases establishing a code of conduct was seen as a basic condition for compliance since it documents requirements for a behavior in conformance with rules, regulations and ethical standards. These requirements are made transparent by providing a clear guideline on what is expected by every employee. Each action can be measured against it. Company values are incorporated in the code of conduct and communicated throughout the enterprise. These values are for example integrity, respect for all people, continuous innovation or stewardship. The code also comprises certain monetary thresholds for specific employee activities such as dinner invitations or business presents. It is spread out by brochures for the employees, inter- and intranet presentations as well as trainings with a strong focus to the given values.

“The code of conduct is considered as elementary within our company and within our compliance system. A code of conduct sharpens awareness of rules and values and provides recommendation for ethical behavior of employees. It also serves as a preventive measure to minimize our compliance risk”. [Pharma | 1; Compliance Officer]

“Our code of business conduct is the central document in our compliance organization. All employees need to adhere to these guidelines. Management needs to adhere to these values in first place and to communicate them towards our employees via training, the internet but also through personal copies”. [Indus | 1; Senior Compliance Manager]

Factors facilitating the code of conduct: The code of conduct can be supported by both intrinsic and extrinsic facilitators. For an intrinsic motivation, the experts pointed out the tone at the top as an elementary prerequisite. Management example may convince employees that own and company values match. Therefore management is required to permanently act in agreement with the code of

¹ A service level agreement is part of a service contract and formally defines the level of service offered.

conduct. By observing “good” management example, employees are motivated to adhere to this code as well, and understand compliance necessities.

The extrinsic motivation of the code of conduct however has to be elaborated in detail, since ethical behavior is difficult to measure (Murphy 2009). Without adequate performance measures it cannot be determined when to grant certain incentives and at which point there is no basis for issuing a bonus. Some experts however consider it as elementary to let employees know that their company pays high attention to compliance and conformance with the code of conduct. Others take the adherence to rules and regulations for granted and thus are of the opinion that it must not specially be supported. Many companies use sanctions instead. In the case of rule breaches employees face disciplinary measures such as salary cuts, exclusion from future promotions or even their layoff.

“Values are a prerequisite for compliance and need to be closely adhered to by our management to top-down achieve binding character also for employees. So it is demonstrated that the commitment to our company culture is really desired and the code of conduct is not just implemented for the exculpation of the company in case of misconduct”. [Eltec | 1; Senior Compliance Manager B]

“We object to positive incentives for adherence to the code of conduct since we take compliant behavior as granted. On the other hand we use sanctions as negative incentives for all employees no matter in which position with equal strictness”. (Pharma | 1; Compliance Officer)

Key component “compliance trainings”: Compliance regulations have to be openly discussed to be successfully communicated and established throughout the company. This is usually achieved through different compliance trainings. These are executed as classroom or e-learning/online trainings and adjusted in content depending on the level and responsibility as well as on an employee’s operational area. Of course managers or ordinary employees face other compliance risks than sales representatives or employees in the purchasing department, making an adjustment of training contents necessary. Especially employees in sensitive areas which are identified through a risk assessment are required to take part in the compliance trainings. In many of the cases the trainings conclude with a test and result in a training certificate (if the employee passed the test) which states successful participation.

“Trainings are the most important preventive measure. Our company offers e-learning and classroom trainings. During these sessions certain compliance cases are discussed. The employee must later pass a test about the training’s topic”. [Telco | 1; Compliance Officer]

“Trainings sensitize our employees for compliance requirements and risks. Therefore some of them are mandatory trainings which we require the employee to take part in”. [Auto | 1; Senior Compliance Manager]

“All our managers as well as employees in areas that are subject to compliance risk such as purchasing, sales or quality are required to complete their compliance online trainings”. [Eltec | 2; Chief Compliance Officer]

Factors facilitating compliance trainings: Trainings are more likely to be completed, if management shows its commitment to training measures by participating. The tone at the top therefore intrinsically motivates employees to actively participate in compliance trainings. The training outcome can easily be measured. Either an employee passes or fails the final test. Therefore trainings are also extrinsically motivated by their inclusion in a personal performance matrix. If trainings are completed in time they can be supported by certain incentives. This is already done in practice.

“We document the outcome of all compliance trainings and also include them in the employees’ annual performance feedbacks”. [Serv | 1; Head of legal and regulatory affairs]

“Of course e-learning can be included in the performance goals of an employee. We do that already. If a department achieves a certain level of completion in compliance trainings, employees and their managers receive an extra bonus”. [Telco | 1; Compliance Officer]

Compliance trainings can also be supported by sanctions which exclude employees from promotions or restrain them from achieving the highest possible performance rating in their company, if certain trainings are not completed. Furthermore other bonuses can be held back, if the employee did not participate in the required classes.

“If trainings are not completed in a given timeframe, the employee receives a warning by his superior and is asked to complete the test. If our employees then still do not complete the training, further disciplinary measures are taken”. [Eltec | 2; Chief Compliance Officer]

Key component “compliance reporting and controlling”: Quite surprising, an integrated compliance reporting and controlling with predefined systems, tools and structures was available in none of the studied cases. Mostly random checks are conducted by internal or external auditors as well as by consultants. These are executed via checklists that all entities have to fill out in order to provide information on their compliance status. The results are used to discover weaknesses and to respond to them with increased trainings in identified areas. However there are first basic approaches to an extensive compliance reporting, mostly in combination with a risk assessment. Usually the chief compliance officer has to report to the board of directors. These compliance progress reports are delivered on a regular basis. They cover a wide range of compliance topics and contain the quantity of and details on compliance incidents as well as requests to the compliance office. In some companies also the international compliance organization is part of the reporting.

“Compliance topics are reported to our chief compliance officer on a regular basis. He himself has to report to the board of directors on the various topics such as compliance training completion rates, inquiries to the helpline or reports of rule breaches via the whistleblower hotline and the status of their remediation”. [Serv | 1; Head of legal and regulatory affairs]

“We conduct a compliance controlling which identifies process weaknesses. Subsequently we do trainings with special focus on the identified weakness”. [Indus | 1; Senior Compliance Manager]

Factors facilitating compliance reporting and controlling: The set up of compliance reporting and controlling structures is usually supported by extrinsic compliance facilitators. These incentives or sanctions are only available for managers which account for creation of reporting and controlling infrastructure. In addition processes need to be established to properly report and control compliance. Incentives are granted to responsible employees, if adequate reporting and controlling structures such as specified reports and levels of aggregation are readily defined in a certain timeframe. Also the set up of reporting systems or a common data repository in time and in budget is subject to bonus eligibility. On the contrary not adhering to deadlines and budget restrictions results in sanctions such as loss of the bonus. This way the set-up of reporting and controlling structures drives employee involvement since they actively participate in positive or negative outcome by bonus or sanctions.

“Our compliance officers have to ensure availability of reporting and controlling structures. These goals are connected with a timeline and incorporated into target agreements. Their performance is then measured against these targets and bonuses are granted accordingly”. [Logis | 1; Chief Compliance Officer]

“Our management requires compliance reports on a regular basis. Delivery of these reports is therefore one of the targets of our compliance staff. If reports cannot be generated in time, they will lose parts of their bonus.” [Telco | 1; Compliance Officer]

5 Discussion

To answer the initially posed research questions, this paper described the implementation of key compliance components in eight multinational enterprises. Furthermore, it highlighted factors that foster employee involvement and understanding, thereby facilitating compliance implementations. In the following, we discuss our results and elaborate the key findings of our research study.

5.1 Limitations

Before discussing the study findings, some major limitations must be pointed out to put the results into perspective. First of all, the study is based on eight cases which are all derived from the producing or services industry. Thus the study can by no means be considered representative for the entire business community. It is rather exploring the implementation of key compliance components in practice and their support through appropriate compliance facilitators. It is providing insight in real world structures and fostering an understanding of different possibilities to support the set up of compliance in an enterprise.

According to Lee and Baskerville (2003) theory developed from case studies is only generalizable within that case setting since as a consequence to Hume's truism, a theory may never be generalized to a setting where it has not yet been empirically tested and confirmed. Lukka and Kasanen (1995) on the other hand argue that there are views in literature that admit generalization from case studies, if the study is of high quality and properly conducted. Therefore, the cases in this research do not preclude the possibility of gaining scientific knowledge from the data. Expert knowledge is based on occupational role and all of the respondents either were compliance managers, compliance officers or working in legal and regulatory affairs. Thus, the study can be considered "high quality" and results can be used to generalize from our case study findings to theory. Nevertheless, to confirm findings the study may be replicated in a more controlled setting. This is also recommended by Lukka and Kasanen (1995) who point out that generalization becomes possible by building an argument that results also hold true for other cases.

Furthermore, despite their worldwide activities all of the companies addressed in the case studies were Germany-based and therefore subject to a different set of rules and regulations than companies in other parts of the world. Nevertheless key compliance components could be derived and linked to compliance facilitators. Further local differences in compliance and incentives set-up can be subsequently explored in future research.

5.2 Implications

Consistent with prior literature, the examined cases provide evidence that compliance implementations need to consider four major components: compliance organization, code of conduct, compliance trainings as well as a compliance reporting and controlling. These components support compliance implementation by making it observable and learnable: *observable* through clear compliance structures embedded into the compliance organization as well as through a comprehensive compliance reporting and controlling; *learnable* through the existence of a comprehensive code of conduct and specific compliance trainings.

In addition, our cases provide insights into compliance facilitators. On the one hand, this is the tone at the top, which intrinsically motivates employees to conformance and emphasizes a strong compliance culture. On the other hand, these are incentives or sanctions which extrinsically support the implementation of compliance components. The targeted result of introducing incentive systems is that compliance is not seen as a time-consuming necessity but as a rewarding goal for each employee personally and thus, making compliance *experienceable*.

In summary, there are two key findings of our study. The first key finding is that the tone at the top supports establishing a code of conduct and executing compliance trainings since it increases employee understanding of and participation in a company's compliance endeavors. Such a surrounding in addition positively influences the entire compliance culture of an enterprise and this cultural background furthermore fosters a company environment in which all key compliance components can develop and ethical employee behavior can unfold. Therefore management needs to pay utmost attention to leading by good compliance example since it influences every single compliance component as shown by the following statements:

“The tone at the top shows the extent to which our leadership supports the compliance efforts in our company. I do not think that our compliance efforts would be successful if the management would not give them their attention and support.” [Eltec | 2; Chief Compliance Officer]

“Leading by example is necessary to show our employees management commitment to our values. Most of our people will understand compliance measures if they see that our top leaders as well follow the sometimes uncomfortable rules and regulations.” [Pharma | 1; Compliance Officer]

The second key finding of our study is that special attention needs to be paid to the fourth key component – compliance reporting and controlling. It takes on a particular position since it is not only an important component but also the foundation for the compliance facilitator incentive systems. In many of the examined cases experts support the inclusion of compliance goals in individual target agreements and clearly point out that a common basis for the measurement of goal achievement is necessary to be able to involve employees in a company’s compliance activities. Thus a compliance reporting needs to be set up to support the incentive system as these interview statements point out:

“Anti-corruption compliance is for us one of the most important targets. So we include it in the individual target agreements for our employees. Therefore we have to make sure that employees can actively influence their KPIs and also understand how their performance is measured”. [Auto | 1; Senior Compliance Manager]

“In our company, we add compliance trainings rates to an employee’s as well as to their superior’s goal agreements. We then measure the rate of goal completion in order to calculate the appropriate bonus”. [Logis | 1; Chief Compliance Officer]

Figure 1 graphically summarizes our findings, thereby confirming results from prior research studies as well as deriving new insights into compliance implementation.

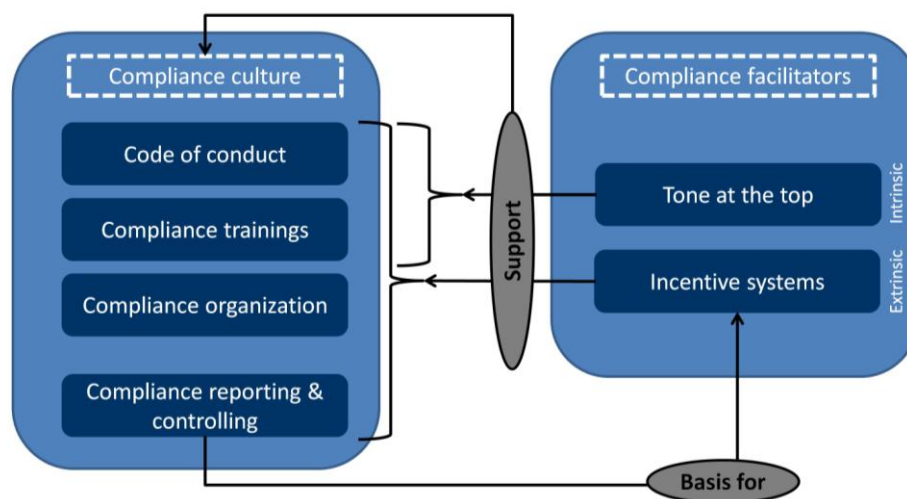


Figure 1. Graphical summary of findings

The paper at hand contributes to theory by outlining the practical implementation of the key compliance components and linking them to compliance facilitators. It shows an approach for a compliance that is not just dictated top down by management but open for employee involvement and participation.

Based on our case findings, we were able to identify a substantial need for an integrated compliance reporting. Such a reporting is used for management information on compliance and also forms the basis for the utilization of incentive systems to drive employee participation in compliance initiatives.

As with every management reporting large amounts of data must be handled and processed. These stem from anywhere within the company especially since compliance is a very interdisciplinary topic and the compliance team will find it impossible to implement a worthwhile compliance monitoring strategy without considerable input from various departments (Marshall 2005). Due to the immense amounts of data and since it is scattered throughout the company, support of information systems is indispensable. These need to act as the integrator and enable a central collection, processing and intelligent analysis of compliance data. This could be achieved by implementing a central compliance data repository, an appropriate reporting tool and automated workflows which ensure proper remediation of any discovered weaknesses and alerts. Therefore, in a next step, we plan to design a central compliance data repository. Using the then centrally available data, we furthermore strive to transfer the powerful concept of the balanced scorecard to the compliance context by developing a compliance scorecard.

6 References

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