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The Anti- Corruption Compliance Programmes and its impacts in the organisations

by

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A dissertation submitted in part requirement for the Master of
Business Administration

Adam Smith Business School
University of Glasgow
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Abstract

Corruption is a pandemic problem worldwide, even though some researchers suggest that it could help economies, it has been proved by several scholars that corruption negatively affect organisations by deterring performance, increasing internal cost, causing harassment by corrupt government, and limiting innovation and growth. Efforts to combat corruption have been made by international non- governmental organisations and governments by introducing new anticorruption laws and increasing enforcement. Anti-corruption compliance programmes have been adopted by organisations as a measure to reduce criminal liability in corruption investigations. However, some scholars suggested that compliance programmes have a broader impact. This research empirically explored the impacts of the anti-corruption compliance programmes beyond regulatory compliance. The findings suggested that anti-corruption compliance programmes have positive effects in the organisation's financial performance, and key stakeholders such as suppliers, competitors and investors.

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1. Introduction

1.1 Background information

Corruption is a pandemic problem that affects economies on a large-scale, affects population and organisations around the world, and which generates moral and political mazes, destabilises economic development, good governance, and generates competitive inequality. According to the International Monetary Fund, approximately \$1.5 trillion US dollars are paid as bribes every year, which represents roughly 5% of the global GDP (Summerfield, 2017). According to International Transparency, corruption is defined as “the abuse of entrusted power for private gain”, that can be categorized in grand (corruption made at the top level of public officials), petty (daily corruption of low and middle public officials) and political. The Organisation for Co-operation and Development (OECD) defines corruption as “the abuse of public or private office for personal gain” and recognises that the definition could vary based on different factors such as culture and legal frameworks.

Corruption has a substantial impact on private organisations. For example, the increase in the cost of the price of goods and services; according to a report of the OECD, the average cost of bribes is 10.9% of the total transaction value¹, in the GSK bribery case, the Chinese government alleges that the prices of their products were inflated to approximately 30% (David-Barret, et al., 2017). Another example is the reduction of profits; the cost of bribes represents the 34.5% of the profits¹. This cost not only impacts private organisations, but also economies; when an organisation increases its costs because of corruption, it will look for a way to recover it either by paying less to the workers or increasing the price of the goods and services.

In recent years, governments have intensified their fight against corruption, particularly in the establishment of anticorruption laws, for example the Clean Company Act (Brazil, passed in 2014), the General law of Administrative responsibilities (Mexico, passed in 2016), the Anti-Corruption Law- Sapin II (France, passed in 2017) and more recently the Anti-Corruption and Forfeiture of Assets Act (Bulgaria, passed in 2018). Also,

¹ OECD 2014 Foreign Bribery Report. An analysis of the crime of Bribery of Foreign Public Officials

governments that have already adopted their anticorruption laws increased the level of enforcement. For example, United States with the Foreign Corruption Act “FCPA” (USA, passed in 1977) has sanctioned 191 individuals and corporations as of 2016², or the German Criminal Code with more than 250 cases sanctioned as of 2016². Despite the emission of recommendations for governments to encourage private organisations to adopt measures that help countering corruption, few of them have explicitly requested organisations to adopt anti-bribery compliance programmes (see appendix 1).

However, due to the extra-territorial scope of some regulations, such as the FCPA, several multinational organisations are adopting anti- corruption compliance programmes in all markets where they are conducting business. Adopting anti-corruption compliance programmes could imply a mammoth investment of resources, even more when companies use technology. Nevertheless, implementing a compliance programme could represent a minor cost compared to the cost involved with violations to the laws such as fines, investigations and lawsuits (Risk and Compliance, 2017). For example, Alstom paid \$772³ millions of US dollars for criminal fines, meanwhile Walmart has reported expenses related to investigations and enhancement of the anticorruption programme by \$157³ millions of US dollars in the Fiscal Year (“FY”) 2013, \$282³ millions of US dollars in FY 2014, and \$173³ millions of US dollars in FY 2015, for a total of \$612³ millions of US dollars, which do not include the cost of the fine.

Some researchers and practitioners argue that the anti-corruption compliance programmes are not merely a countermeasure against fines, but it can have other impacts in the organisations. For example, some organisations are shifting their perspective from “legal compliance” towards a culture of prevention of financial crime (Zyglidopoulos et al, 2017). Also, organisations which implement a robust compliance culture enhance their performance, increase their brand recognition and expand the trust in customers (risk and compliance, 2017). Moreover, another expert indicated that instead of taking a short-term view of the compliance function, organisations must look

² OECD 2016 Data on enforcement of the Anti-Bribery Convention.

³ Create.org, 2015. The Costs and Risks of Corruption: Impacts beyond the Bribe. Available in the website: <https://create.org/news/the-costs-and-risks-of-corruption-impacts-beyond-the-bribe/>

at it as a dynamic process, that provides opportunities to boost firm performance (Hyatt, 2014).

1.2 Research Purpose

The aim of this research was to determine whether the anti-corruption compliance programmes have positive impacts on the organisations, other than fulfilling a legal requirement. The objectives of this study were: to identify within the literature some issues that organisations are facing as a consequence of corruption, discuss the role of the anti-corruption compliance programmes in the regulations, explore some impacts beyond regulations of general compliance programmes based on the information available in the literature, and to explore knowledge and experience of practitioners relating to the impacts beyond regulations of anti-corruption compliance programmes in the organisations.

1.3 Research problem significance

The value added by this research consists of exploring the impacts of the anti-corruption compliance programmes beyond regulation compliance, that will allow practitioners to obtain relevant insights to support them in the making-decision process. This topic is relatively new and lacking research exploration.

1.4 Basic Assumptions

In this research, due to the multiple approaches of corruption, we solely focussed on the corruption between government institutions/government officials and private organisations, and the anti-corruption compliance programmes that aim to reduce the risk of these type of corruption.

1.5 Basic limitations

A full discussion of the impacts of corruption in organisations lies beyond the scope of this study. Moreover, the research was subject to different factors such as time and availability of resources, which may be limited.

1.6 Structure of the research

Chapter 2. Literature review:

This chapter provides a review of the literature relating to the effects of corruption in organisations, the efforts to combat corruption, and the general compliance programmes and their role in the regulations and beyond them.

Chapter 3. Methodology

This chapter highlights the methods chosen for the research. By setting it within the wider context of potential methods, the chosen technique used is described, along with justifications for its use and any relevant limitations associated with the technique adopted.

Chapter 4. Finding and Discussions

This chapter provides an overview of the findings of the research to answer the research questions as outlined in this report along with discussing the implications of these results.

Chapter 5. Conclusions and recommendations

This chapter brings together conclusions from the research and outline any recommendations for future work deemed as necessary to continue the understanding of this area of work

2. Literature Review

2.1 Introduction

This chapter seeks to provide an overview of the current literature surrounding the areas of (i) corruption and their effects on organisations, (ii) efforts to combat corruption, and (iii) general compliance programmes and their role in regulations and beyond them. The aim is to provide the context of this research and that primary research is necessary to adequately address this study purpose. Any conclusions drawn from the literature review will not overtly highlighted until Chapter 5 although

inferences will be made in this section as to why the areas being reported are important in this context.

2.2 Method

Due to limited literature availability in journal articles related to anti-corruption compliance programmes, the literature review took an extensive approach towards general compliance programmes and the effects of corruption in organisations. Different methods were employed in order to obtain the relevant literature necessary for this study detailed below.

2.2.1 Journal Research

A literature search was conducted within Business Source Premier and Google Scholars. The key terms used for this purpose include compliance programmes, corruption, ethics and impacts. The initial research provided a starting point for the literature used in this study. Some of the terms generated extensive results and hence, it was required to review the journals and identify which ones were relevant to address the aim of this study.

2.2.2 Internet research

Research on the internet was conducted in order to appropriately address the aim of this study. During the search for literature, some organisations and authors were identified as relevant for the purpose of this study. As a result, their websites and other publications were also used as a means for searching and gathering relevant information.

The quality and accuracy of sources consulted on the internet must be considered carefully (Saunders et al., 2016). Sources may not always be quality controlled, for instance, peer reviewed journals. This fact was considered and information sought through this channel was taken from established organisations and institutions' websites. For the purpose of this research, it was assumed that these organisations and authors have quality standards, therefore the information was deemed reliable and accurate.

2.3 What the literature suggests

2.3.1 Corruption and its effects on organisations

2.3.1.1 Does the corruption “grease” or “sand” the wheel?

The existing literature related to the effects of corruption is divided. Some authors consider corruption as “grease the wheel” tool that stimulates foreign direct investment, reduces the “red tape” effect, increases the efficiency of markets and helps to generate economic growth (Egger & Winner, 2005; Jiang & Nie, 2014; Lui, 1985). Conversely, some authors support the hypothesis that corruption “sands the wheel” affecting economies negatively, deterring investment and undermining growth and development (Dollar-Hallward-Driemeier, 2004; Mauro, 1995; Méon & Sekkat, 2005; Smarzynska & Wei 2000; Zelekha & Sharabi, 2012; Wei, 2000). These effects are more visible in environments where regulations are weak (Meon & Sekkat, 2005). Early research related to the effects of corruption was mainly focused on corruption at cross-country level (Fig. 1).

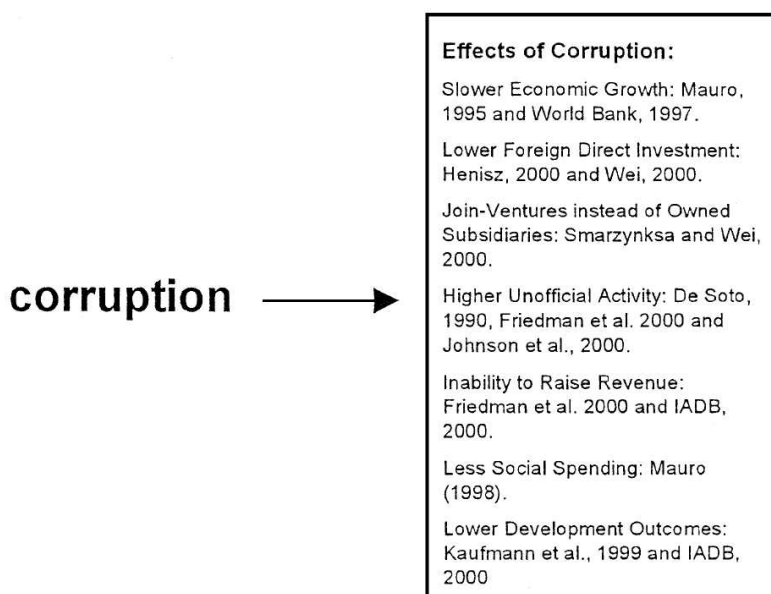


Figure 1: Effects of corruption
Source: Gaviria 2002

As the debate continues, however, in recent years researches shifted their approaches, resulting in a vast literature of the effects of corruption at organisation-level. Evaluating

the impacts in performance, cost, relations with governments, innovation, growth and access to financial services (Athanasouli & Gourjard, 2015; Bliss & Di Tella, 1997; Campos et al., 2010; Cleangovbiz,2014; Dawn, 2001; De Rosa et al., 2010; Fisman & Svensson, 2007; Fungacova et al., 2015; Gauthier & Goyette, 2014; Gaviria 2002; Hanousek & Kochanova, 2016; Paunow, 2016; Rose-Ackerman, 2004; Sharma & Mitra, 2015; Svensson, 2003; Wang & You, 2012; Wu, 2005).

a. Performance

Even though early research suggested that corruption increase the efficiency of the markets and generates growth (Lui, 1985), it has been demonstrated that corruption has negative impacts in the organisation's performance, mainly due to three reasons: firstly, bribery does not allow organisations to focus and build a long term because the management is concentrated in obtaining business illegally rather than enhancing products and services strategy (Wu, 2005); secondly, because it diverts management from productive activities attending requirements related to bribes (Dal Bo & Rossi, 2007); and thirdly, because bribing organisations will receive special treat from officials and do not have to make any effort to make their processes efficient, meanwhile, non-bribing organisations growth faster, due to the higher effort that they must do in order to comply (Hanousek & Kochanova, 2016; Gaviria 2002). In the second case, corruption, in efficiency terms, has an ambivalent effect "greasing the wheels" for non-bribing organisations, but "sanding the wheel" for bribing organisations. However, in a macro level, corruption damages economic performance (Hanousek & Kochanova, 2016). Moreover, De Rosa et al. (2010) performed a study examining the impacts of corruption on productivity in organisations from central and eastern Europe, assessing the correlation between corruption and time, and their results demonstrated that bribery does not help organisations to obtain higher productivity by overcoming bureaucratic requirements.

b. Internal Cost

Corruption boosts the cost of doing business. Corrupted organisations tend to charge the cost of the bribes to the services and products (Cleangovbiz,2014; Dawn, 2001; Luiz & Steward,2013; Sharma & Mitra, 2015). Also, Rose-Ackerman (2004) suggested that in some cases, the cost of the bribes is significant, and distorts the prices of large contracts

in public procurement up to approximately 30-40%. As a result, some corrupted organisations are not able to manage the exponential increase of cost, and do not have another option rather than exit from the markets (Romer, 1994). Conversely, Gauthier & Goyette, (2014) found that Corruption is helpful to bribing organisation for reducing the payment of taxes. If the amount of the bribe offered is large, the organisation gets a large rebate in the payment of taxes. Nonetheless, corruption not only impacts the product costs or taxes, but also can generate several hidden costs such as: criminal fines, sentencing of executives, debarment from public procurement, value market losses and has negative impact on reputation (Wu, 2005; Cleangovbiz,2014).

c. Relationships with government officials

A clear example in which corruption “sands” the wheel for organisations is in the relationships that corrupted organisations maintain with corrupted government officials. Organisations which are well known for paying bribes are more likely to be harassed by government officials to pay bribes for services that are free for other organisations that do not pay bribes (Wu, 2005). Moreover, corruption can cause some governmental officials to apply discretionary powers over business. For example, paying bribes to governmental officials to obtain contracts in public procurement could look like bribery is paying-off. However, if organisations stop paying the bribes, the government officials might punish them by revoking licenses or permits (Wu, 2005).

d. Innovation

Corruption disincentives innovation. According to Wang & You (2012) organisations in corrupt areas tend to have few investments in Research & Development, and consequently have limited products in the market. For example, some organisations in particular sectors such as pharmaceuticals, require investment in order to develop a patent to obtain exclusive rights over the invention, and as a natural consequence they expect to maximize its profits. However, corruption affects the processes to obtain this quality certifications and patents (Paunow, 2016).

e. Growth

Another ambivalent effect of corruption is presented in the growth. From one side, corruption helps organisations to grow in sales in the short-term (Wang & You, 2012). But, on the other side, there is evidence that corrupted organisations, in the long-term, have lower levels of growth than the average of those which are not corrupted (Campos et al., 2010; Fisman & Svensson, 2007; Svensson, 2003). This could be explained by the fact that non-bribing organisations must develop efficiencies in a corrupt environment, explained in section “a. performance”.

f. Access to financial services

There is some evidence that suggests that corruption could be beneficial for organisations accessing to financial services more easily. Fungacova et al. (2015) performed a study in which they analysed the bank debt ratios of more than 600,000 organisations. They found that bribery increased the bank debt ratios in the organisations, which means that organisations can access to debt. In markets where this resource is scarce, the impact is higher when most of the market players are state-owned banks. The fact that organisations access to financial services through corruption does not indicate that banks are solely allowing debt to bad loans, therefore, corruption can help organisations to cover their financial needs (Weill, 2011). However, the benefit of bribery is noticeable in only short-term loans. This is due to the reluctance of banks to provide long term debt in environments where corruption is high. (Fungacova et al., 2015).

Based on the evidence described before, the “sand the wheel” effect of corruption overweighs the “grease the wheel” effect at organisation level. The impact on the economy is only one of the aspects in which corruption can affect societies, that is why international non-governmental organisations have been developing guidelines to combat corruption and encouraging governments, societies and private organisations to join to the fight. In the next section, these efforts and the response of the private sector, adopting anti-corruption compliance programme as a countermeasure of corruption and its negative impacts on organisations will be explained.

2.3.2 Efforts to combat corruption

2.3.2.1 Efforts from non-governmental international organisations

International non-governmental organisations have established relevant guidance related to anti-corruption compliance programmes. Several documents and tools have been published by organisations such as the Organization for Economic Co-operation and Development (OECD) and Transparency International. One of the pioneering efforts was the signing of the convention on combating bribery of Foreign Public Officials in International Business Transactions by the OECD in 1997, which contains recommendations that should be adopted by governments in order to combat corruption. After some years, international organisations realised that the isolated efforts from the government were not enough to combat the colossal challenge that corruption represents, and they decided to include private organisations in the fight.

The OECD in conjunction with the governments created in the Guidelines for multinational enterprises which aims to incentive the cooperation of global organisations in the effort to create a progress in the economy, environment and society. The guidelines require to organisations to establish a set of policies in the countries in which they are operating, some of the recommendations include: a) the organisations should create and maintain good corporate governance principles and practices; b) develop and implement management systems and self-regulatory practices that promote mutual trust between organisations and the society; c) foster awareness of compliance among the employees, including training programmes; d) abstain from retaliation to employees who make reports of practices that infringe the law or the guidelines; e) perform a risk-based due diligence; f) encourage business partners to adopt the guidelines; g) refrain improper involvement in local political activities. In the same way, the organisations are required to disclose information regarding its activities, structure, financial situation, performance, ownership and governance. This includes statements of business conduct intent, polies and codes of conduct that the organisations adopt and information related to internal audit, risk management and legal compliance systems. (OECD, 2011, p.p. 19 and 21) bribery (OECD, 2011, p.p. 47 and 48).

Other non-governmental institution which has also been actively contributing to the fight against corruption is Transparency international. This institution annually publishes the Corruption Perception Index, which “ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and business people, using a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean” (Transparency international website).

The Corruption Perception Index is a useful tool for organisations to assess risk in markets where they are operating or where they want to expand their business. However, this tool must be use carefully, because it could cause bias (Andersson & Heywood,2009). The corruption perception is correlated to the intensity of anti-corruption initiatives. Hence if governments increase the anti-corruption initiatives, it will increase the corruption perception in the management, rather than decrease the problem in the organisations (Steves & Rousso, 2003). Also, top executives must keep in mind that corruption has presence in countries at all levels of development. Rather than focus on the corruption country risk, it should be considered on the context of the transaction as the risk increases if it involves a public official, a public procurement process or the use of intermediaries (OECD, 2014).

The tools and guidelines developed by international institutions have been useful to encourage the fight against corruption. As a result of these standards, governments have passed regulations that aim reduce bribery. However, these standards and regulations are new and the implementation will be gradual and it will take time to be fully adopted (Jorge & Basch, 2013). In the next section the regulation landscape and enforcement actions will be explained.

2.3.2.2 Efforts from the governments: Regulations and enforcement

a. Regulation landscape

The Foreign Practices Act (FCPA) issued in 1977 was the first regulation that aimed at the creation of transparency and suggested private organisations to adopt ethical programmes and self-regulation (Kurlan,1993). In the late 1980s, as a mitigation action of savings and loan scandals, The United States Government issued the Federal

Sentencing Guidelines in 1991 (Weber & Wasieleski, 2013) which indicates that the compliance programmes adopted by the organisations would be considered as an extenuating criterion to determine the criminal liabilities. Later, in 2002, the government issued the Sarbanes-Oxley Act as a consequence of the Enron and WorldCom Scandals (Weber & Wasieleski, 2013). As a consequence, the private sector started to be concerned about these regulations and adopted some ethical initiatives, mainly ethic codes, reporting systems, training and communications (David-Barret, 2017; McKendall et al., 2002; Weber & Wasieleski, 2013).

Some authors suggest that excessive regulation generates a detriment to the organisations. Rose-Ackerman (2004) states that organisations would increase their productivity if the government reduce the regulations and rules, which will make their cost and time to enter into a new market more efficient. In a similar way, Dawn (2001) indicates that some US organisations that implemented the controls to prevent corruption requested by the US policy makers, may have increased their cost unnecessarily. Trying to act cautious to comply regulations when doing business abroad can result in the allocation of unnecessary resources. For example, the areas which may increase their cost are accounting and audit due to the books and records provision.

Since emerging countries are getting a major role in the international economy, therefore it is relevant that they adopt international standards and regulations against corruption. For example, China is becoming a leading economy in the world. In order to have to increase its presence in international markets, it should demonstrate that it complies with international and local anticorruption regulations, as well to disclose its compliance practices (Schonfelder, et al 2016).

Willingness from governments to cooperate in the fight against corruption has been more noticeable in recent years with the introduction of new anticorruption laws and reforms to broader jurisdictions and amends on the liability to legal persons (please refer to appendix 1 for further information). Some of the countries that recently adopted anti-corruption laws are France, adopting the “Loi Sapin II” in 2016; the Netherlands, adopting the “Dutch Whistle Blower Authority Act” in 2016; Slovak

Republic, adopting the law on the Criminal Law of Legal persons entered in enforcement in 2016; Mexico adopting the General Law of Administrative Responsibilities effective in 2017; and more recently Bulgaria, passing the Anti-corruption and Forfeiture law of Assets Act in 2018. According to Baker McKenzie and OECD 2014, currently, there are approximately 50 countries which joined efforts to combat corruption, adopting regulations that aim to criminalize corruption acts.

These regulations are in different stages of maturity. Some of them have been in place for more than 40 years, such as the FCPA, meanwhile there are others of recent creation such as the Anti-corruption and Forfeiture law of Assets Act passed in 2018. All of them aim to impose sanctions to illegal acts related to corruption. Some of the consequences of these regulations are: millionaire monetary fines, debarment from public procurement, reputation damage derivate from the publication of the offense, dissolution of the legal entity, forfeiture of property, prohibition of commercial activities, band to access to subsidies or subventions from government agencies, suspension of activities up to 5 years, confiscation of assets, revocation of licenses or permits, prohibition of advertising, loss of fiscal benefit, implementation a compliance programme among others (please refer to appendix 1 for further information). Even though adoption of regulatory frameworks is a good initiative to fight corruption, it is still not enough for this endemic problem and that is why an active enforcement is required. In the next section the regulators enforcement efforts will be explained.

b. Enforcement

While some scholars suggest that there is a lack of enforcement globally (Jorge & Basch, 2013), others debate whether governments should continue promoting compliance through regulations and enforcement due to the prevalent unethical attitude of the organisations(Stucke,2014). Even in those positions, in recent times there has been a significant boost in anti-bribery regulations around the globe and governments are taking a serious approach of enforcement (David-Barrett et al., 2017; Schonfelder et al. 2016). The prosecutors of corruption investigations under the FCPA provisions are the Department of Justice (DOJ) and the Security Exchange Commission (SEC). After several

years of inactivity, in 2006 the Department of Justice announced an increase in prosecution and enforcement under the FCPA provisions (Weismann et al., 2014). As a result, in the next years the overall cases investigated and sanctioned increased, mainly targeting multinational and public organisations Fig. 2.



Figure 2. Number of foreign bribery cases concluded per Year
Source: OECD 2014

Surprisingly, in recent years the number of cases investigated under the FCPA provision have decreased Fig 3. Potentially, due to the different perspective of priorities of the new administration of the United States.

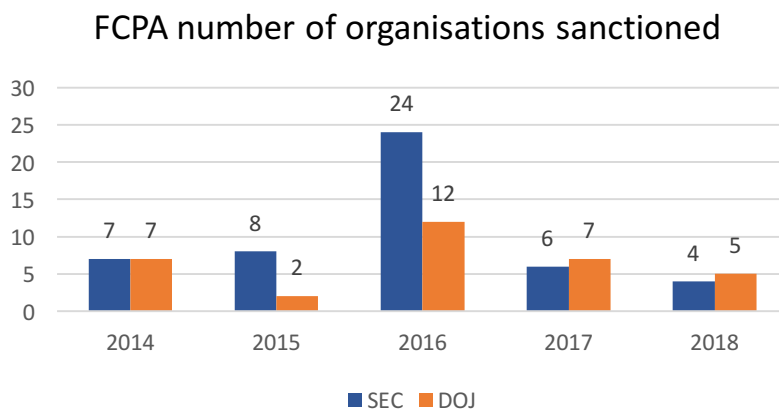


Figure 3: Cases sanctioned under the FCPA provision
Source: SEC & DOJ.

Even during the decrease of activity, the OECD (2017) reported that from 1999 up to December 2016, 443 individuals and 158 entities have been sanctioned. The United States is the country who leads the sanctions against foreign bribery acts with 128 schemes sanctioned, follow by Germany who sanctioned 26 schemes, Korea 11 and

Italy, Switzerland and the United Kingdom only 6 each (OECD, 2014) (see appendix 1 for information by country). Interestingly, other countries who recently passed anti-corruption laws started prosecution actions. For example, China passed its anti-corruption law in 2013 and in the same year initiated an investigation to GlaxoSmithKline (GSK) alleging that the organisation paid bribes to governmental officials (Weismann et al., 2014).

Some industries are more prone to be corrupted, due to the exposure to interaction with government officials and agencies (Svensson, 2003; OECD & Asian Development, 2009). More than half of the organisations sanctioned belonged to four main sectors: extractive, construction, transportation and storage and information and telecommunications (OECD, 2014). They sanctioned organisations utilising different schemes to make the payment of bribes with the most recurrent using third parties such as subsidiaries, local consulting firms, companies located offshore financial centres or tax havens or companies under the benefit of the public official (OECD, 2014). The main reward obtained by the organisations that paid bribes was to obtain public procurement contracts.

As a result of the investigations, the corrupted organisations have been sanctioned. Prosecutors have imposed exemplary fines. In 2007, Siemens AG agreed to pay more than 1 billion of USD dollars in fines to the SEC, DOJ and the Office of the Prosecutor in Munich⁴ for their bribery acts in diverse territories. Typically, that case has been constantly mentioned in the literature for being the highest fine imposed by the prosecutors. However, in 2016 Odebrecht S.A., a global construction corporation based in Brazil, and Braskem S.A. (Braskem), a Brazilian petrochemical company were charged with a higher fine than the one imposed to Siemens, agreeing to pay 3.5 billion U.S. dollars⁵. Potentially that is the highest fine imposed in recent times, but not the one paid, because in 2017 the organisation declared to be insolvent to pay the fine, agreeing to pay solely 93 million dollars in 2017⁶. There is no doubt that this millionaire fines have

⁴ Security Exchange Commission. 2008.

⁵ DOJ. 2016.

⁶ Thomson Reuter. 2017.

encouraged other organisations to increase their ethical standards (Schonfelder at al., 2016). In the next chart, it can be appreciated how the amount of monetary sanctions imposed by the prosecutors related to corruption cases worldwide:

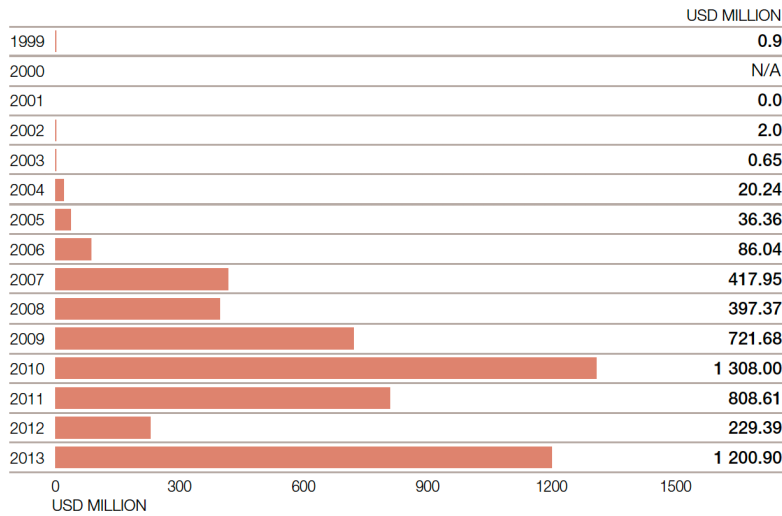


Figure 4: Total monetary sanctions worldwide.
Source: OECD 2014

The graph below presents the monetary figures of the sanctions imposed on organisations under the FCPA provisions:

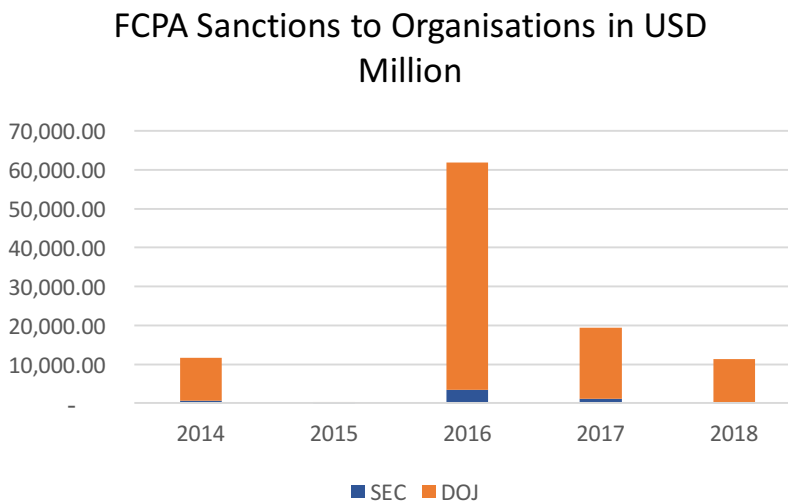


Figure 5: Total amount in USD Million imposed under the FCPA provisions.
Source: DOJ & SEC

As a result of the sanctions, organisations are not only obliging to pay the amounts related to the fine, but they should also demonstrate that they are taking preventive measures, such as anti-corruption compliance programmes, to avoid the risk of relapse

in the payment of bribes. In the next section the adoption of compliance programmes by organisations will be analysed.

2.3.3 General Compliance programmes

There is a gap in the academic literature related to what should be considered as a compliance programme. Some scholars have limited the definition of compliance programmes as a set of policies and procedures. Walker (2005, p. 71) suggested that a compliance programme is “a formal system of policies and procedures adopted by an organisation with the purpose of preventing and detecting violations of law, regulations and organisational policy and foresting and ethical business environment”; Meanwhile, others scholars define compliance programmes with a more comprehensive approach, considering that compliance programmes integrate the following elements: ethic codes, policies, compliance officers, reporting mechanism, training and risk assessment (Weaver & Trevino, 1999; Weber & Wasielesk, 2013). Despite of the gap in definition, it has been suggested that adopting regulations, guidelines and internal policies or ethic codes is not enough to be considered a compliance programme but also requires other elements. For example, a competent board, integrated by internal and external directors, hampers the opportunity of making a bribery payment (Clarke & Xu, 2002; Previtali & Cerchiello, 2017). With the aim of unified criteria for the purpose of this research it will adopt the approach of the Department of Justice (DOJ) related to what is an “Effective Anti-Corruption Compliance Programme”, which comprises of the following elements:

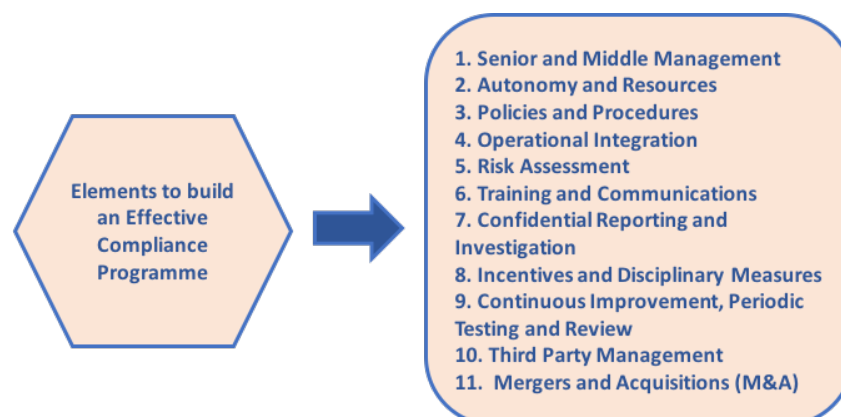


Figure 6: Elements to build an effective anti-corruption compliance programme.
Source: DOJ

Early compliance programme research, shown in figure 7, suggested that organisations adopt ethics compliance programmes with the aim of being socially responsible, guiding employees' behaviour, improving management decision making and establishing a strong ethical culture (Majluf & Navarrete. 2011; Weber, 2013). Recent researches suggest similar reasons of why organisations are adopting compliance programmes: to reduce bribery and wrongdoing in the private sector (Jorge & Basch, 2013; Majluf & Navarrete, 2011; Walker, 2006; Haugh,2017), and endorse an ethical culture in organisations (Walker, 2006). Most of the research suggested that organisations are motivated to adopt compliance programmes to guide employee behaviour. However, they must consider that even the most comprehensive compliance programme is not able to eliminate misconduct and liability at all (Haugh,2017; Klinkhammer, 2013; Longsdon and Wood, 2005; Stucke, 2014; Weber & Wasieleski, 2013). For example, even that Volkswagen adopted a comprehensive compliance programme, it was not able to avoid employee wrongdoing, in which they installed a “defeat device” software in the cars to manipulate the test emissions (Haugh.2017).

Bentley Center, 1986	Bentley Center, 1992	Weber and Gillespie (1998)	Current study, 2010
To be socially responsible	To be socially responsible	Establish a strong ethical culture	To do the right thing
To guide employees' behavior	To guide employees' behavior	To guide employees' behavior	To comply with government laws
To improve management decision making	To comply with government laws	To comply with government laws	To guide employees' behavior

Figure 7: Early compliance programmes research
Source: Weber (2013)

Another typical motivation to adopt a compliance programme is legal, not only to comply with legal requirements (Weber & Wasieleski, 2013; Haugh,2017), but also to help organisations to demonstrate to the authorities that its programme was effective (Haugh,2017) and to reduce time-consuming and regulatory matters that emanate from illegal activities (Haugh,2017).

However, there is some evidence that suggest that compliance programmes are not useful for organisations. McKendall et al. (2002) studied large organisations in US to determine if the compliance programmes (ethical codes, training, communications) that they adopted have helped the organisations to reduce crimes. They concluded that compliance programmes did not reduce legal violations. However, the conclusion of the

study could be limited because it only evaluated the effects of isolated ethical efforts (ethical codes, training, communications). As was discussed previously, compliance programmes have a broader approach. It is not enough that organisations simply rely on ethical initiatives (guidelines, policies and code of ethics) because it is a partial aspect of the organisational culture (Sullivan, 2009; Weaver & Trevino, 1999).

Also, there is a debate whether organisations adopt compliance programmes genuinely or not. Some scholars opine that organisations embedded a compliance programmes because it was a requirement of their head offices (Jorge & Basch 2013); and in some extreme cases, to use them as a distractor of attention from their illegal actions (McKendall et al.,2002) or to reflect a good image that mismatch with the corporation identity and values (Longsdon and Wood, 2005). Conversely to this view, there are scholars that propose that organisations are implementing compliance programmes genuinely, not only because it is a legal requirement, but also because the organisations are developing a need to be ethical (Weber & Wasielenki, 2013). It is complex to ensure whether organisations implement compliance programmes genuinely or not, but what is sure is that the implementation process represents a challenge for most of them. In the next section, some of the most common complexities that organisations have to face during this process will be discussed.

2.3.3.1 The challenge to implement a compliance programme

There are some challenges that organisations face during the design and implementation of anti-corruption compliance programmes. Some of the complexities that organisations commonly have to overcome in order to implement a compliance programme:

a. Cost

The implementation of an effective anti-corruption compliance programme represents a significant cost to the organisations. Small and Medium Enterprises (SMEs) struggle with the cost of the elements that must be implemented (Schonfelder et al., 2016). Also, multinational organisations increase their cost significantly by implementing the programme in different jurisdictions, provide international training and create the global compliance structures (Jorge & Basch, 2013). For instance, derive from the

corruption scandal, Walmart reported expenses related to investigations and enhancement of the anticorruption programme for more than \$612 millions of US dollars⁷ without including fines. Moreover, some organisations are facing challenges to implement compliance programmes due to restricted budgets. KPMG (2015) performed a survey of organisations in the UK, in which 39% of them indicated that they have faced issues with the scarcity of internal resources to implement anti-corruption compliance programmes. Hence, some companies that are located in low risk countries or that have not been subject to legal enforcement or found cost-effective do not adopt an anti-corruption compliance programme (Jorge & Basch, 2013). However, if the organisation adopts compliance programmes in a preventing way, they could reduce the risk of corruption and avoid millionaire fines. There is some evidence that indicates that for each US dollar invested in compliance, an organisation is avoiding \$5.21 US dollars in damages related to legal charges and negative impact to its reputation and decrease of productivity (PwC Edge, 2006). Moreover, there are some elements of the compliance programme that can be implemented by enhancing some existing processes or tools within the organisations.

b. Culture and communications

Organisations must be aware of the cultural practices where their subsidiaries are located, to achieve their worldwide ethical goals (Weaver, 2001). This is because ethical initiatives that are suitable in one culture could be against practices in another cultural context and as a result create an aversion to adopt the ethical initiatives (Weaver, 2001). Another relevant aspect to consider in the implementation is the distribution of documentation in local language. KPMG (2015) reported that the participant organisations in its survey indicated that they distribute its anticorruption policies in local language. However, in some regions there is no translation of those policies, for example in Africa, the policies most of the time are only available in English, where there are 11 official languages, including English.

⁷ Create.org, 2015. The Costs and Risks of Corruption: Impacts beyond the Bribe. Available in the website: <https://create.org/news/the-costs-and-risks-of-corruption-impacts-beyond-the-bribe/>

c. Multiple jurisdictions

The number of companies that find difficult to cope with Anti Bribery issues is raised due to the complexity of their global operations in different jurisdictions. For example, variations in data-privacy requirements among different countries (KPMG, 2015).

d. Technology

Using technology in the anti-corruption compliance programmes is one of the most efficient ways to manage the procedures and to reduce inconsistencies and human errors (Carpenter, 2015). For example, one of the best tools used to monitor the anticorruption control is data analysis. Companies should monitor its transactions and raise red flags in those transactions that are abnormal to the business course to prevent and detect potential corrupt transactions. (KPMG, 2015). However, not all organisations have resources to implement automated processes.

If organisations take in consideration the above-mentioned challenges in the planning stage, it will allow them to develop an effective compliance programme which can be useful for the organisations in enforcement actions and beyond them. In the next sections the role of the compliance programmes in the enforcements, as well as their role in a broader perspective will be explained.

2.3.3.2 The role of compliance programmes in enforcement

Stucke (2014) proposed that there are four main approaches of how compliance programmes impact the enforcement: The first one is that fines should be applicable to organisations only if it can be proved that they “failed to have reasonably effective policies and procedures to prevent the conduct”; the second approach is that compliance programmes should be consider as a defence; the third one is that the compliance programme is an important but not determinative element to determine corporate liability; and the fourth one, is that the prosecutor could consider the implementation of a compliance programme in a discretionary way when determining fines. Nowadays, the anti-corruption regulations mainly adopt the first and second approach. Please refer to appendix 1 for detail of the role of anti-corruption compliance programmes in the different countries that adopted these laws.

Even though most of the global anti-corruption laws do not consider anti-corruption compliance programmes as a compulsory requirement, the majority of multinationals have adopted and implemented them among its subsidiaries (Jorge & Basch, 2013). This must be explained by the fact that some regulations provide mitigation of penalties if the organisations prevent misconduct through the implementation of effective compliance programme such as the sentencing guidelines (Dawn, 2001). For example, in the investigations under FCPA violations, an assessment of the effectiveness of a compliance programme, including its design and good faith, is relevant to determine whether there was a violation or not. The SEC and DOJ could decline to pursue charges against an organisation that implemented an effective compliance programme (Stucke, 2014). However, one limitation in the determination of the “effectiveness” of a compliance programme is when prosecutors are able to recognise genuine effective compliance programmes from some “cosmetic” ineffective compliance programmes adopted by some organisations to obtain the legal benefits (Stucke, 2014).

Recent regulations have developed what could be called a “fifth” approach considering that the lack of a compliance programme may represent a violation. For example, in the Sapin II, required by companies that have at least 50 employees to adopt appropriate whistleblowing procedures and those companies which exceed € 100 Million in revenues, it is compulsory to adopt a compliance programme. It might be likely that in the next years, compliance programmes become a compulsory requirement in some industries. As it was mentioned before, in some jurisdictions, compliance programmes have a key role in enforcement. However, there are some suggestions about another kind of compliance programme, which will be discussed in the next section.

2.3.3.3 The role of the Compliance programmes beyond enforcement

A new approach of compliance programmes was introduced by some researches and practitioners, who suggested that compliance programmes have a broader effect on organisations than merely comply with legal requirements. Compliance programmes have some influence in the organisation financial performance, by protecting the organisation against employee misconduct, supporting to build a competitive advantage, attracting and retaining customers and investors, improving management decisions and decreasing employee turnover (Weber and Wasielenki, p. 613, 2013;

Halter et al.,2009; Steinberg, 2010; Majluf & Navarrete, 2011; PwC Edge, 2006). Moreover, PwC Edge 2006; Stucke,2014 suggested that compliance encourages transparency, which creates an environment of ethical practices and confidence that allows organisations to generate value for stakeholders. In the next sections, the impacts in some of the main organisation stakeholders will be analysed.

a. Effects on Employees

There is some evidence that suggest that employees are one of the main groups that are influenced by an organisational ethical culture created by the compliance programmes. Some scholars argue that If there is an ethical model in the organisation, employees will be more satisfied with their jobs, and therefore they will improve their performance (Majluf & Navarrete, 2011; Sharif & Scandura, 2014). Meanwhile, others suggest that employees may develop personal incentives towards compliance to avoid criminal liability (Stucke,2014). Also, when an organisation is implementing a compliance programme for the first time, it is relevant to consider the effects on the employees. Open communication and training will increase the acceptance of changes and there will be an increase in employee performance (Busse & Doganer, 2018). The other effect of compliance programmes on employees is talent attraction. There is some evidence that organisations which have adopted ethical procedures are more likely to attract talented people (Steinberg, 2010). According to a survey performed by Deloitte (2018) ethical behaviour is one of the main characteristics that the Millennial generation ranked as “very important” in the process of choosing an organization to work. Similar results are shown in a publication of PwC Edge (2006) in which they performed a study in conjunction with META group and found that compliance help organisations to decrease employee turnover by 10%. On the other hand, if an organisation suffers reputational issues, it will drop its capability to attract talent (Nelson, 2017).

b. Effects on suppliers

Some authors argued that anti-corruption compliance programmes have a widespread effect among their business partners in two main approaches: The first one, by encouraging them to adopt an ethical culture and an anti-corruption compliance program. For example, local companies that comprise the value chain of international enterprises are adopting anti-corruption compliance programmes (Jorge & Basch,

2013). Also, Halter et al. (2009) found that even in highly corrupted environments, organisations can establish an ethical relationship with their suppliers. Some of the tools that are useful to achieve it are: share the ethical code with suppliers, communication and transparency. The second approach is by increasing the information required by business partners, which some of them could consider as bureaucracy. Even though, the compliance programmes should focus on due diligence to third parties to verify the rational and the beneficiary of the transaction (OECD, 2014), in this process companies should try to obtain as much information as possible from third parties in order to assess the risk properly (KPMG, 2015).

c. Effects on the Industry

Dos Santos et al. (2012) states that best practices in compliance can have effects among organisations in the same sector. Firstly, as bench marketing to reduce uncertainties, secondly to obey regulations, and lastly to reduce limit of competition by setting up high-quality standards. These effects create the “institutional isomorphism” phenomenon that influence the practices of management in a sector to increase competitiveness and social gain. In contrast, some authors suggest that in territories where corruption is high, rejecting to participate in corrupt acts could result in exclusion of the multinational from the market or in the loss of opportunities in public procurement (Jorge & Basch, 2013; Zagaris & Lakhani 1998). This is more evident in the case of business from United States, which have a competitive disadvantage when they want to enter into markets where corruption is high, due to the US regulations that prohibit organisations to make payments of bribes (Dawn, 2001).

d. Effects on Investors

In recent times, investors are more concerned about ethics and the sustainability of their investments. As a result, financial markets are highlighting the need of increase in the level of investors’ confidence by reporting transparency (Fernandez-Feijoo, et al., 2014). Some research about investment suggests that a portfolio of organisations with a positive screening will enhance performance and the probability of risk will be minimized because they are involved in positive activities. Meanwhile, negative screening will decrease performance and will generate an exponential risk (Lado and Wilson, 1994; Turban and Greening, 1997; cited in Humphrey and Tan, 2014).

Nevertheless, Humphrey and Tan (2014) found that in large portfolios, there is no impact in the returns of either positive or negative screening of organisations. Conversely to the previous theory, there is some empirical evidence that suggest that in individual transactions, compliance programmes can help organisations to be more attractive to joint ventures or potential acquires (Stucke,2014). There is some evidence that suggest that the investment drops in the most corrupt countries (Cuervo-Cazurra,2018). As a result, it discourages the investment in some corrupt markets (Dawn, 2001).

e. Effects on Internal processes

Compliance programmes have effects in the organisation's internal process. It must be customized to tackle the risk of the organisation and aim make process more efficient to enhance the business results (Busse & Doganer, 2018). Moreover, it is vital that the organisations design and implement an effective compliance programme in all areas of the organisations as corruption could be found in all areas of an organisation (Halter et al.,2009). For example, as a consequence of the Sarbanes-Oxley Law, organisations experienced change in their operating processes, in particular in the financial structure, most of them taking a longer period to generate reports such as the annual budget (PwC Edge, 2006).

f. Effects on Brand and image

Some scholars argued that compliance helps to create a transparent environment that helps organisations to decrease the level of corruption and an ethical behaviour can help the organisations to create a good image (Halter et al.,2009). By contrast, other authors suggest that some organisations adopt compliance programmes to reflect a good image that mismatch with the corporation identity and values (Longsdon and Wood, 2005). However, some practitioners presented some evidence suggesting that compliance adds value to the reputation (image) of the organisations by 23% (PwC Edge, 2006).

g. Effects on Top Management

An ethical leadership and "tone at the top" are significant factors to create and maintain an ethical organisational culture (Majluf & Navarrete, 2011). Nevertheless, there is

evidence that top management is one of the main drivers of unethical behaviour in organisations. For instance, Dos Santos et al., (2012) performed a study in which they assessed the susceptibility of top management to break the ethical rules. They found that leaders are willing not to comply, but to be loyal, which might indicate that loyalty and moral integrity towards the organisation are not simultaneous behaviours. This ambivalent morality can lead to some executives taking advantage of the environments where corruption is the norm and establishing aggressive sales goals to their employees. Therefore, the only alternative for the employees is to achieve it through corruption (Nelson, 2017). That is why it is relevant to consider the compensation of top management as a prevention measure against corruption (Dos Santos et al., 2012). Based on the evidence reviewed, it is clear that top management influences compliance programmes rather than compliance programme influencing them.

h. Strategy

Some organisations adopt bribery as part of their business model because they are looking for a quick win business (Luo,2005; Klinkhammer, 2013). Although they may be able to make short-term gains, but bribery is not a sustainable strategy. (OECD & Asian Development,2009, p. 41.). Indeed, compliance programmes can be part of the organisation strategy and provide a competitive advantage for the organisations. For example, some governments require that their suppliers adopt a compliance programme to participate in the contracts (Stucke, 2014).

i. Community

Ethical organisational culture can affect the community positively, by complying with the law and competing and acting according to the law (Stucke, 2014).

Overall, there is some evidence that suggest that compliance programmes are not only a legal requirement, but also can influence stakeholders and internal areas of organisations. However, there is no specific evidence of the impact of anti-corruption compliance programmes. This study aims to explore, in an empirical manner, the specific impacts of anti-corruption compliance programmes beyond regulation. In the next section the methodology utilised to fulfil the objective will be described.

3. Methodology

3.1 Research problem

Corruption is a pandemic problem worldwide. In recent years, governments have increased their activity in regulating and sanctioning corrupted activities among the private sector. Some private organisations are taking actions to comply with the regulations, and as a result they have implemented anti-corruption compliance programmes. In recent years, some scholars have suggested that compliance programmes have a broader approach that merely comply with regulations.

The literature and the understanding around this area, synthesised in chapter 2, was able to describe the current thinking about the academic and practical evidence on how corruption impacts organisations and the role of anti-corruption compliance programmes in enforcement. It also highlights a new “movement” among academics and practitioners to explore the impacts of compliance programmes beyond regulatory compliance.

Base on the literature, it was possible to gain some insight of the impacts of general compliance programmes. However, it was deemed necessary, for this study, to gain a better understanding of what those involved in anti- corruption compliance see as the impacts of anti-corruption compliance programmes beyond regulatory compliance.

3.2 Research purpose

The following research purpose has been identified to guide the primary research of this study:

- To explore the effects of anti-corruption compliance programmes in organisations beyond the regulatory compliance.

3.3 Using the qualitative Method

According to (Creswell, 2013) there are three main approaches of research methods: quantitative, qualitative and mixed methods. Quantitative research pursues to provide numerical answers to questions that require statistical measurements to compare opinions and fitting them in predetermined categories (Patton,1987). Meanwhile,

qualitative methods aim to answer “how”, “why” and “what” of a topic and allow the researcher to explore the perspective of the participants and gain an understanding of the context of the research environment, providing a meaning of what is happening (Va Maanen, 1979); and finally, the mixed method is a combination of both.

For the purpose of this study, the most suitable method to be used was qualitative research in order to explore the perspective of the participants and gain an understanding of their environment (Pratt, 2009 p. 856). In particular, the interview method was used.

Research interviews approach considers interview information as a social construction and interpretation by either the participant and interviewer. It identifies the main role that the interviewer plays in the construction of meaning and the need of reflection to assess his or her approach (Saunders et al, 2016).

According to Saunders (2016) there are three common types of interviews, structured interviews, semi structured interviews and unstructured or in-depth interviews. Structured interviews aim to collect quantifiable data through standard questionnaires. While in the semi-structure interviews, the researcher may have key topics to ask, the questions may vary from one participant to another depending to the context and provide the opportunity to discuss in detail. On the other side, unstructured interviews are informal and aim to explore a topic of the research interest in depth. The participant is given the chance to talk freely about her or his beliefs about the topic and it is not directive. Semi-structure interviews were identified as the most convenient type of interviews to answer the research question.

3.4 Data collection

Participants: individuals were selected through relational sampling (Straus and Corbin, 1998). This method allows deliberate identification of participants that will provide the researcher the opportunity to gather information relevant for the field of study (Easterby-Smith et al., 2012). Table 1 provides and overviews the participants who agreed to take part in this study. To ensure anonymity, only a brief description of their

position is provided. Through the rest of this document, each participant will be identified by the *code* provided in the table below.

Number	Code	Position
1	CO1	Compliance Officer- Construction sector
2	CA1	Compliance Advisor- Legal Anti Corruption
3	CA2	Compliance Advisor- Anti Corruption
4	CO2	Compliance Officer- Engineering solutions sector
5	CO3	Compliance Officer- Financial sector
6	CO4	Compliance Officer- Financial sector
7	CO5	Compliance Officer- Healthcare sector
8	CO6	Compliance Officer- Construction sector
9	CO7	Compliance Officer- Healthcare sector
10	CA3	Compliance Advisor- Anti Corruption
11	CO8	Compliance Officer- Financial sector
12	CA4	Compliance Advisor- Anti Corruption
13	CA5	Compliance Advisor- Anti Corruption

Figure 8: Participants coding

Potential participants were identified through professional networks, based on their profiles, compliance officers or advisors who have an extensive experience in the anti-corruption compliance field and work in top compliance positions in their organisations. This was done with the aim of ensuring that they have deep knowledge in the compliance area.

Emails and messages, through professional social media (LinkedIn), were sent requesting their participation in the research. Those who agreed to participate provided their schedules and the meetings were set. Simultaneously, a guideline questionnaire was prepared covering the main topics that were aimed to be explored.

Interviews: Thirteen semi structure interviews were conducted by telephone during July 2018. The participants were based in different regions (North America, Latin America and Europe). Each interview lasted for approximately one hour. Some interviews were conducted in Spanish, attempting to maintain the richness of the native language expression. After guiding the participants through the ethical rules and the purpose of the research, the participant’s permission to conduct and record the interview was

taken. However, some participants requested not to be recorded and only notes were taken during those interviews. Subsequently, participants were asked to describe the impacts of the compliance programmes in their organisations and the guideline questionnaire was asked. However, they were asked additional questions that arose during the flow of the interview. These questions were made with the purpose of contextualizing some answers provided. After the interviews were finalised, the interviews conducted in Spanish were translated, and all the interviews were transcribed for their analysis (see appendix 2 for further detail). This was a time-consuming activity, but it allowed the author to be more familiar with the content of each interview. Wherever possible the interviews were transcribed as soon as the interview finished.

3.5 The Analysis

The analysis was performed considering the framework recommended by Easterby-Smith et al (2002 p123). Additionally, the author used the software Nvivo during some stages of the analysis which comprised of seven main stages: the first stage included the familiarisation of the data through the reading of the transcripts; the second stage was focused reflection, where the author reflected about connections between the literature review and the interview data; thirdly, in the conceptualisation phase the author identified concepts contained in the data. In this stage, it was convenient to use some tools contained in the Nvivo software, for example the word cloud, which allows to identify the most common words contained in the interviews as well as the tables of word frequency. These tools were valuable in the conceptualisation stage, in which the main stakeholders which are impacted by anti-corruption compliance programmes were identified: employees, suppliers, clients, government, society, investors, among others.

understand the process and any risk that may arise during the study. This was confirmed and the beginning of the data collection, and signed consent forms were requested from the participants. To maintain the anonymity of the participants, their names were coded and were identified in that way in the whole document. The information discussed during the interviews was not of a confidential nature, thus any instance of harm was avoided. The interviewees were willing to contribute to the study and no incentive was provided to the interviewees to participate in the study.

3.7 Limitations

Some limitations may arise from the use of semi-structured interviews. Due to the lack of standardisation, it could generate concerns about reliability, due to the potential bias that the researcher could generate in the participant's answer due to the body language or the tone of voice (Saunders, 2016). Moreover, limited time and resources available for this study restricted its findings. For example, the researcher is not experienced in the technique of conducting and analysing semi-structure interviews, therefore, additional findings might have arisen from the data if the researcher had additional time to analyse it.

4. Findings and Discussion

4.1 Introduction

In this section, the findings resulted from the analysis of the information gathered through interviews and literature review (outlined in chapter 2) will be discussed. In order to elicit relevant topics to the aim of this research, “to explore the effects of anti-corruption compliance programmes in the organisations, beyond the regulation compliance”, to illustrate some findings, direct quotes from the transcripts will be used where appropriate. With the aim to maintain the anonymity of the participants, the quotes will be tagged with the participant codes provided in figure 8 in section 3.4 of this document.

4.2 Boosting financial performance

4.2.1 The cleaning process: driving off bad clients and suppliers

The implementation of an anti-corruption compliance programme within an organisation implies several changes in the internal process. According to the DOJ⁸, one of the key elements of an effective anti-corruption compliance programme is the third party management, particularly, the implementation of a due diligence processes to establish business relationships with clients, suppliers and other third partners. The aim of a due diligence process is to evaluate not only the technical and financial capabilities of the business partners but also the reputational issues in a holistic manner. Some participants mentioned that their organisations are currently running due diligence processes to ensure that the business partners talk the same “compliance language”:

CO5 *“We secure that the suppliers have guidelines similar to our organisation, and that they have not been involved in a corruption case or other issues that can cause troubles...”*

CO1 *“Creating a sanction check process is relevant to review that the business partners are not included in official “black lists” ...”*

⁸ Source: DOJ Evaluation of Corporate Compliance Programs. Available on: <https://www.justice.gov/criminal-fraud/page/file/937501/download> (Accessed on July 15th, 2018)

To perform this process, organisations request a comprehensive set of documents from clients, vendors and other third parties. It was found that some business partners might consider that compliance programmes increase the bureaucracy in the organisation and create some short-term issues to attract more clients or set up suppliers:

CA3 *“At the beginning the organisations have to try to maintain a balance between the business and compliance. Some information that is requested from the clients could be more bureaucratic and could cause a loss of business” ... “the organisation, before adopting the programme can add a new vendor or client within 10 minutes, and with new standards, the same activity, could take them more than 5 days.”.*

CO3 *“... customers find annoying that banks ask so many questions about their background ... but it must be done.”*

CO8 *“... in the short term, when the compliance programme is implemented, the impact might be a decrease in sales, and people who operates with the new rules will have to face new challenges to adapt and to transmit the change to the external parties”*

CO7 *“Compliance programmes affect because organisations can lose bargain power with clients, because of less flexibility in the short-term. However, in the long-term all the marketing practices are more sustainable. There is a disadvantage in the short term but an advantage in the long term”*

CO 5 *“There are requirements that are mandatory for the suppliers, if they do not share all the information we cannot sign a contract with them...In some cases, they consider the organisation as very bureaucratic, due to several requirements. However, it is part of the trust in the relationship, in the agreements and the relationships with them is in long term and based on trust”*

However, the participants indicated that this bureaucracy can be favourable to the organisation, because it generates a “cleaning process” that drives off bad suppliers and clients. In the short-term, organisations may suffer the loss of clients and suppliers. But in the medium-long term, compliance programmes will help them to establish healthier long-term commercial relations based on trust with people who talk the same “compliance language”. This finding supports the ideas introduced from some scholars who suggest that non-corrupt organisations have higher levels of growth than the average of those which are corrupt (Campos et al., 2010; Fisman & Svensson, 2007; Svensson, 2003). Moreover, participants suggested that driving off bad clients help the organisations not only to reduce costs related to the management of clients who do not pay on time, but also to increase loyalty among those clients that last:

CA3 *“it tends to become a virtuous cycle, because the clients that are not helping to continue with the compliance programme, may not be good for the company. For example, in the financial sector, if the client does not want to provide information, this may cause an increase risk of compliance in the organisation and the client could be a defaulter, and it may increase the cost of the processes. At the beginning some organisations may have to sacrifice volume, but at the medium and long term the organisations will have better clients and they will increase the confidence of the organisation”.*

CA2 *“. When a due diligence is performed to business partners, the quality of the supplier is higher, and impacts in the cost, efficiency and transparency.”*

CO3 *“In the past when I was working in a retail bank, there was no doubt that implementing a strong compliance programme tends to drive the bad clients to other banks. A Specific example, is the one of a bank in which I was working, the management decided to implement a particular control in order to prevent the use of the bank accounts for a particular criminal scheme, as a result, the criminals went to other banks with weaker compliance programmes. Therefore, good compliance programmes help you to drive off the bad clients to other institutions.”*

CO1 *“... for example, the case of a company that was sanctioned, after the fine of €75 billion, a compliance programme was implemented, and a decrease in the growth was expected. However, an increase in the revenue was noticed, ... due to the confidence that the compliance programme started to create in the customers and suppliers. The controls secure more quality, a good delivery and higher compliance.*

CA1 *“Compliance programmes generate more loyalty among customers”*

CO8 *“The compliance programme has an impact in the person, in the operation, but in the medium to long term will help to have better clients.”*

Therefore, it will generate an increase in the organisation’s income and savings in the administration of healthy clients and suppliers, who act with integrity. This finding is consistent with the argument of Busse & Doganer (2018) who indicate that compliance programmes must be customized to tackle the risk of the organisation and aim to make the process more efficient to enhance the business results.

However, participants and scholars advised that some complexities to achieve the cleaning process may arise. As was previously discussed, management could be exposed to a moral maze, whether to achieve their sales goals or comply with the anti-corruption compliance programmes (Dos Santos et al., 2012). These conflicts could be intensified if management is incentivized through the achievement of sales level (Nelson, 2017). Additionally, this “cleaning process” could be hard to apply for organisations in which main clients are regulated by corrupt practices.

Moreover, the interviewees recommended that to adopt an effective compliance programme, organisations should avoid the check-box approach. Due diligence should be performed to all third parties, based on the corruption risk that they represent for the organisation. Also, a high investment in resources and commitment toward compliance from the professionals that are involved in the decision-making process of accepting third parties is required.

There is no doubt that driving off bad clients and suppliers can be beneficial to all size of organisations. However, the complexity of adopting an anti-corruption compliance programme for SMEs could be higher, not only due to the restriction of resources but also because of their business model. Moreover, SMEs tend to have a lower pressure from legal compliance. As it was analysed in chapter 2, prosecutors have limited activity in specific jurisdictions, and mainly target multinational and public corporations. Thus, some companies which were found cost-effective do not adopt an anti-corruption compliance programme (Jorge & Basch, 2013).

4.2.2 Shifting the sales force compensation approach

A vast number of organisations stimulate their revenues through a sales force. The traditional compensation approach is to pay bonuses based on achievement of aggressive sales levels. Which can represent a challenge for anti-corruption initiatives in environments where corruption prevails. David-Barret et al. (2017) found that sales professionals feel more pressure to maximize sales than follow the compliance guidelines. They also suggested that management should reconsider the business model and compensation practices to achieve compliance in those environments. Interestingly, the results suggest that some organisations are aware of this complexity and have started to explore alternatives that allow compliance and the business model to share the same goals. One participant commented that as part of the implementation of anti-corruption in his organisation (retail multinational bank), the variable compensation model to the sales professional was modified from sales level targets towards information completeness targets:

CO8 "...one of the main changes in the organisations was in the commercial area, in the way to determine and pay incentives to the sales force, instead of compensating them based on the number of new clients or revenue (the quality does not matter), the compensation was based on the completeness and accurateness of the client's information and to justify that the product is something that really solve the needs of the client... the organisation aimed to create a position in the market in which its sales force was recognised for having high ethical standards and good practices..."

The change in the business model was dramatic and established leading practices in the financial sector. Nonetheless, in the short-term, this approach generated the loss of clients for the bank, due to the increasing demand of documentation. Moreover, one of the major complexities during this process was to create awareness in the employees, who were operating the new rules, to make them understand the impact of their actions for the whole organisations. Even in those complexities, the Bank expected to generate a change in the client behaviour and to increase their loyalty, because the products that they were receiving were tailored to their needs, and the sales force was not only offering products to achieve a “number”.

The case mentioned before is a good example of new trends in the compliance area. However, it is worth to highlight that, nowadays, this approach is hardly adopted by organisations. Additionally, participants mentioned that organisations who adopt this business model, and play a minor role in an industry where corruption prevails, are likely to lose clients and sales in the short and long term and will not have another option rather than exit from the market.

4.2.3 Efficiencies in the financial and operational processes, as a result of the implementation of an anti-corruption compliance programme, can lead to savings for the organisation

The implementation of an effective compliance programme, not only implies the creation of new processes, but also the enhancement of existing financial and operational processes within organisations. Participants indicated that internal processes are affected and fixed by the adoption of a compliance programme:

CO1 *“Some of the processes that are mainly impacted are hiring, gifts and entertainment, accommodation, sponsorships, employees, hiring intermediaries, audits, reporting systems (whistleblowing system), project bidding (in construction is relevant to review the expenses included in the project, because some could be “hidden payments” and these could be related to payments of bribes). Other processes that are impacted are procurement (due to potential conflict of interest and that the vendors could be paying bribes and charging the*

company). The impact on the customer procedures to avoid kickbacks when they try to impose their friend to be hired as contractors is also relevant”.

CO3 *“Compliance programmes affect the internal processes by fixing things that were wrong, and by making processes more efficient”.*

The participants suggested that the implementation of an anti-corruption compliance programme can lead to savings for the organisation. For example, one participant indicated that in his organisation, as a result of the compliance programme implementation, an inefficiency was detected in the operational processes that lead to the recurrent payment of fines. The issue was solved and the organisation generated a saving in that area:

CO6 *“...the operations department was used to pay fines for everything, the compliance programme was applied, and an analysis was performed as for why there were frequent payments of fines, the cause was due to a problem in one of the internal processes, the problem was fixed, and there were no more payments of fines for this cause, in the long term the cost of those fines could finance the position of the compliance department”.*

Another participant mentioned that implementing a compliance programme may lead to a good management of petty cash. Most of the organisations have a petty cash in their offices. Although, the threshold of the petty cash could not be relevant, however, making frequent reimbursement could generate a significant amount on a yearly basis. The implementation of compliance programmes helps organisations to control the expenses paid in cash that may lead to savings:

CO6 *“...in organisations without a compliance programme, the money contained in the petty cash is not controlled, and from it the organisations make payments of expenses that were not included in the budget, in the case that a compliance programme is implemented, it can help to control these expenses and as well to verify that they are not being used with other purposes.”*

Finally, another participant mentioned that as a result of the implementation of the compliance programme, some changes were made in processes related to hospitalities and entertainment to clients. Expensive gifts such as iPad, phones or fancy dinners were banned and only merchandising was provided to clients which lead to marketing savings to the organisation:

CO8 *“Another change was the implementation of the hospitalities and entertainment policies, before it was allowed to provide some gifts to attract clients (such as iPad, phones or expensive meals, etc.), but after the implementation of the programme, there was a restriction and the sales force was only allowed to use promotional material (pens, notebooks, etc.)”.*

CO7 *“...having a compliance program allow you to do less things, for example the budget for the marketing department becomes smaller and the organisation does not spend so much”.*

These findings are aligned to the arguments of Busse & Doganer (2018) which indicate that compliance programmes must be customized to tackle the risk of the organisation and aim to make the process more efficient to enhance the business results. However, the adoption of this efficiency might have broader implications. David-Barret et al. (2017) found that hospitality practices have not ceased in some industries and are more intense in emerging markets, therefore compliance measures might create a disadvantage to the organisation against other competitors that are allowed to provide hospitalities and entertainment.

4.2.4 Reducing cost of products or services

One of the main impacts of corruption in organisations is the increase of the products' cost, derivate from the payment of bribes. Corrupt organisations tend to charge the cost of the bribes to the services and products (Cleangovbiz,2014; Dawn, 2001; Luiz & Steward,2014; Sharma & Mitra, 2015). The participants suggested that adopting effective anti-corruption compliance programmes can help organisations to overcome those increments:

CO1 *“Compliance programme help to ensure that the money that is spent is assigned properly. If there are payments of corruption, prices tend to be higher and the consumers are the ones that will pay for it”.*

One participant suggested that as a result of the implementation of the anti-corruption compliance programme, suppliers have higher quality and standards, therefore the prices and quality of raw materials and services are fair:

CA2 *...” getting better quality of suppliers help to avoid overpricing in materials, or to reduce bad quality in products or services...”.*

Also, another participant indicated that due to the changes in the making decision process to hire a third party, the agents’ fees are reviewed to ensure that they do not include costs related to bribery:

CA1 *“Compliance programs affect the internal processes... the remuneration of an agent or the agreement of a commercial contract...the way to make decision changes, now the marketing and sales people who own the contract, must also include the legal and finance department in the negotiation. The fees cannot be higher than the average commission, because it could be interpreted as a payment to an agent to be involved in illegal activities (bribery)”.*

Moreover, the implementation of compliance programmes can help to detect abnormal paths in the processes that may lead to fraud. Suppliers’ databases are debugged as part of the implementation of an effective anti-corruption compliance programme. One of the participants indicated that during the revision of the suppliers’ databases, it is common to detect fraud schemes such as conflict of interest or kickbacks to suppliers:

CA2 *“with the exercise of third parties debugging, the company can detect typical schemes of fraud for example: small suppliers who provide different services and have conflict of interest for employees in the organisation”.*

Implementing anti-corruption compliance programmes can help organisations to detect and correct issues in the organisation and designing and implementing transparent procurement processes. However, implement these controls in some organisations can take time, require a high investment of resources, and in some location could be more challenging to implement due to the limited number of suppliers available in the region. Moreover, organisations which are only allowed (by law) to sell through distributors, could find it unpractical to stablish thresholds for payments to agents in locations where the monopolies prevail.

4.2.5 Calling for anti-corruption compliance Key Performance Indicators

The majority of the participants indicated that anti-corruption compliance programmes have positive effects in the organisation's financial performance. However, they found it challenging to quantify this benefit in monetary terms:

CA1 *"It is easy to find what implementing the compliance has cost but it's very difficult to measure the benefits from compliance".*

CA3 *"The compliance programmes investment is difficult to quantify because it is an expenditure that you are not able to amortize in some years".*

Some participants suggested that organisations require to adopt key performance indicators that help them to measure the impacts of the anti-corruption compliance programme. Moreover, they argued that due to the lack of these indicators, some of the benefits could be attributed to other areas in the organisation, and if the compliance programme is effective, it might be self-funding:

CO1 *"It is relevant to design Key Performance Indicators that allow to measure the benefits of the compliance programme. Sometimes the benefits could be attributed to other initiatives of the organisation, but they belong to the compliance programme".*

CA2 *"There are some methodologies to measure the return on invest of compliance. It is a matter of cost-benefit. A well-designed programme, which is*

effectively related to important risks and has the enough resources to operate in and efficient way, might be self-funding”

Indeed, some interviewees mentioned examples of key performance indicators. One participant mentioned that a Key Performance Indicator in “monetary terms” could be the employee turnover. Meanwhile, another participant indicated that in her organisation a Key Performance Indicator was already implemented to measure the effects of compliance and ethics in the employees:

CO8 *“...one indicator could be the cost of employee turnover; the challenge is to change the approach of how the organisation is appreciating a compliance programme and to create those indicators that allow to measure the impact in “monetary terms””.*

CO5 *“On a yearly basis, we performed an internal integrity culture survey, that aims to measure the leadership commitment, how comfortable are people to communicate concerns and how people live with integrity. Moreover, the company has other surveys and indicators that measure other aspects of integrity. It has been noticed that these indicators help to enhance the processes and eliminate processes that do not add value to the organization”.*

Certainly, it is challenging to measure the impacts of the compliance programmes within the organisations and their stakeholders. During the negotiation phase to obtain resources to run a compliance programme or enhance specific compliance processes, it could be useful for compliance officers to present evidence of the benefits in “monetary terms” from other organisations, and Key Performance Indicators could be a useful tool to achieve it.

4.3 The compliance bullwhip effect in the supply chain

According to the DOJ⁹, one of the key elements of an effective anti-corruption compliance programme is third party management, which not only includes due diligence but also the contracting process, training to suppliers and sharing of anti-corruption policies. The majority of the participants mentioned that the implementation of anti-corruption compliance programme generates a compliance “bullwhip” effect in the supply chain, influencing vendors to adopt ethical practices and reduce corruption:

CA2 *“Compliance program should impact on suppliers, it is not enough effort to perform due diligence, and to know who is who, but it is also required to communicate and train them about your policies, processes, rules, and explain the way the organisation does business in order to maintain business relations”.*

CA3 *“... these suppliers adopt a compliance programme and ask their suppliers to comply as well with a due diligence, in this example we can observe that compliance programmes also impact the entire supply chain”*

The effect is more visible in small / local suppliers because most of them do not formally adopt compliance programmes. Multinational organisations share with them their policies, ethics code, provide anticorruption training, even some organisations with leading practices, support suppliers to develop their own compliance programme. As a result, the suppliers of the suppliers are asked as well to follow the ethical rules. In the case of multinational suppliers, it is expected that they already have their own anti-corruption compliance programme, and the compliance bullwhip effect is less visible:

CO8 *“A multinational organisation in the automotive industry, implemented a technical assistance in its whole supply chain. The organisation decided to work with organisations that do things in the right way, the company asked their suppliers to adopt a compliance programme and gave them a time to design and*

⁹ Source: DOJ Evaluation of Corporate Compliance Programs. Available on: <https://www.justice.gov/criminal-fraud/page/file/937501/download> (Accessed on July 15th, 2018)

implement it. Also, they provided support and training to help suppliers to adopt the programme...”

CO2 *“The majority of our suppliers in the western part that are big companies already have compliance programmes, and they share the same values. The greatest impact on suppliers is with smallest and local suppliers and suppliers that are located in markets in which compliance is not the norm. We provide necessary education to the suppliers...”*

CA5 *“Some suppliers adopt the business code of conduct of the organisation, if it is a big organisation they are asked to comply with all the elements of the compliance programme, if it is a small supplier, they adapt the way that they do business. They have to adopt the key concepts of the compliance programmes and act ethically, in areas that the organisation considers there is a high risk they can increase to implement measures”.*

These findings support previous studies that indicates that local companies that comprise the value chain of international enterprises are adopting anti-corruption compliance programmes (Jorge & Basch, 2013); also, Halter et al. (2009) found that organisations can establish an ethical relationship with their suppliers, some of the tools that are useful to achieve it are: share the ethics code with suppliers, communication and transparency.

Moreover, some interviewees predicted that the ISO 37001¹⁰ “anti-bribery management systems” certification might become a future requirement to be selected as a supplier:

CO8 *“There is one ISO certification related to adopt an anticorruption compliance programme, the ISO 37001. It is a matter of time when organisations will start to request the certification to become a supplier and to obtain credit”.*

¹⁰ ISO. Available at: <https://www.iso.org/iso-37001-anti-bribery-management.html> [Accessed on August, 2018].

CO1 *“The adoption of standards by the industries, help them to mature and to create it as a requirement. For example, the ISOS were adopted by several industries and nowadays are recognized worldwide and are requirements to work with several companies.”*

Some challenges might arise from this approach, because some local small businesses want to provide the service, however, they might face resources constrains and might not be able to adopt all the elements of an effective compliance programme. It is not enough that organisations simply rely on ethical initiatives (guidelines, policies and code of ethics) because it is a partial aspect of the organisational culture (Sullivan, 2009; Weaver & Trevino, 1999). To that respect, participants manifested:

CO1 *“... Typically, local companies having less revenue and lacking control systems. Companies with compliance programmes, influence them by imposing them to comply with regulations”.*

CA2 *“...for example, an organisation that is leading in technology in Mexico, is working with several start-ups to optimize the cost, however, those organisations do not have a compliance programme and they are in a position to not adopt one, the technology organisation is having a dilemma on how to continue with the relationship”.*

4.4 Levelling the playground

Participants suggested that anti-corruption compliance programmes help to establish clear rules, preventing disadvantage to enter into new markets or to win a public tender due to the payment of bribes of some competitors. Thus, compliance programmes level the playground for all the market participants, allowing fair competition and higher quality standards:

CA2 *“Countries sometimes adopt regulations and enforcement due to international pressure and potential investors, in order to level the field for the national and foreign companies”*

CO8 *“Organisations want to do business in an environment where the rules are clear, where they do not have to do illegal acts like bribery. As well to influence the sector to adopt better practices that help to levelling the ground to have a fair competition and reduce the corruption”*

CA3 *“Definitely compliance programmes affect the competitors, this is one of the main reasons of the creation of the FCPA law, for example, some organisations that want to expand their business to new markets could suffer a disadvantage if other competitor provides bribes to local governments. Compliance programmes help to level the ground for fair competition, this is possible when enforcement is applied.*

CO1 *“...compliance programmes help to level the ground among companies in the same industry. For example, if most of the companies are complying with rules and one of the companies is corrupt, it is most likely that it won't survive... There are many ways in which the industry is being affected by the adoption of a compliance programme. It helps the market to become more mature and act with integrity and compliance, creating a “collective action” in which everybody is tackling corruption”.*

This finding is similar to the one proposed by Dos Santos et al., (2012), best practices in compliance can have effects among organisations in the same sector to reduce limit of competition by setting up high-quality standards. However, this is only possible in environments where regulation and enforcement is in place. In other environments where corruption prevails, the effects might not be tangible, and organisations might have to leave the market. This limitation was also noticed in previous research performed by Jorge & Basch (2013) and Zagaris & Lakhani (1999) who indicated that in territories where corruption is high, rejecting to participate in corrupted acts could result in exclusion of the multinational from the market or in the loss of opportunities in public procurement.

5.5 Setting up leading practices in the industry

Some interviewees argued that compliance programmes have an effect in the industry setting up leading practices and being a model for bench marketing not only among their competitors, but also in other industries. Meanwhile other interviewees suggested that compliance programmes have no impact in their industry. It is likely that the divided opinion emerges from the type of industry in which the participants' organisation belongs to. In highly regulated industries such as pharmaceutical or financial services there is a higher motivation to adopt leading practices, meanwhile in low regulated industries leading compliance practices are irrelevant. This result supports the study performed by Dos Santos et al., (2012), who stated that best practices compliance can have effects among organisations in the same sector, firstly as bench marketing to reduce uncertainties and secondly to obey regulations:

CA4 *“Compliance programmes impact the competitors, in Industries there are several factors that affect competition, in the case of compliance, if a competitor has a high influence in the sector and has adopted a compliance programme that has transparent and honest anti-corruption practices, could represent a company that has leading practices and could be used as a benchmark for the rest. However, if it is an industry where the players are corrupted and an organisation wants to implement a compliance programme, it is most likely that that organisation won't survive”*

CO5 *“Compliance programmes in some sectors such as pharmaceuticals, have helped other industries to adopt similar programmes and it is good. The pharmaceutical sector has learnt from their bad practices in the past and it is trying to change its image and become an example for other industries”*

CO4 *“Compliance programmes impact competitors also, and we have some meetings with our competitors and we discuss some topics. All of us try to adopt and follow similar controls and requirements”.*

On the other side, interviewees that indicated that the compliance programmes do not help to set leading practices, explained that the reason is because their competitors already have similar compliance programmes, and that the key factor to adopt compliance programme is the location of the organisation's headquarters. Organisations located in high regulated countries are more likely to set and adopt leading practices than organisations located in regions where compliance is not compulsory:

CO5 *“Not always all companies want to adopt guidelines, our organisation works close to the ethical institutions for our sector in Mexico, in order to try all companies to adopt the guidelines, but sometimes some companies do not want. Companies like us, whose headquarters are based in USA are aligned to the guidelines, other companies from Europe and India do not fully adopt the guidelines”.*

CO2 *“I think our compliance programme influences our competitors very minimally. The companies in our industry are in the same boat, they have their compliance programmes. There is no difference for them”.*

This finding supports the suggestions of Jorge & Basch (2013) who opine that organisations embed a compliance programme because it is a requirement of their head offices, and not because they want to adopt it genuinely.

4.6 Creating a competitive advantage

A majority of participants agreed with the statement that compliance programmes help to build a sustainable strategy by helping to manage corruption risks. However, only some of them pointed out that anti-corruption compliance programmes are a competitive advantage or generate value. This divided view could be explained by the fact that participants were located in different legislations and environments. The role of compliance programmes as a competitive advantage depends on the context. Some years ago, compliance programmes were considered as a competitive disadvantage, but nowadays that view is shifting:

CA1 *“The impact of the compliance programmes depends on accompanying ecosystem and the industry, but generally speaking, it is perceived as a competitive advantage and the practices may be adopted by the industry, although it depends very much on the nature of the industry. There are some Industries, that are more supportive towards compliance, and other Industries that are not supportive of compliance. For example, there is a strong movement in the European Chamber of Commerce to make the organisations adopt compliance principles, basically to have healthier practices”.*

CA5 *“If you asked organisations 20 years ago, they would have said that compliance was a competitive disadvantage, but I think that nowadays, the regulators are more focussed on these topics and more organisations are starting to adopt these programmes and therefore it becomes a top priority. It is not a competitive advantage but is an added value for some markets”.*

For example, one participant mentioned that the adoption of an anti-corruption compliance programme is mandatory to participate in public tenders with the major oil and gas public institution in Mexico:

CO8 *“...For example, Petroleos Mexicanos (PEMEX) is one of the biggest governmental institutions in Mexico and a couple of months ago issued a communication that indicates that all its suppliers should adopt a compliance programme...”*

Also, another participant suggested that some executives have a strategic approach towards compliance programmes to obtain a tangible differentiator among customers:

CA2 *“Leading companies in Mexico are taking ethics and compliance as an opportunity to raise their competitive advantage and to build a differentiator in the markets. Nowadays, capabilities are acquired quicker, but also, they are expiring in the same speed. For example, the “know-how” and talent retention. Companies are looking for tangible differentiators that they can use to do*

business as well to interact with regulators and the general public. Some executives are looking at compliance programmes as strategic, not just as a regulatory or business partner requirement, but to proactively present it to the public opinion and society, to get a differentiation. This will allow them to have a better position and a stronger brand to create trust in their customers”.

This result supports the previous idea introduced by Stucke (2014), which indicates that compliance programmes can be part of the organisation strategy and provide a competitive advantage for the organisations. For example, some governments require to their suppliers to adopt a compliance programme to be able to participate in the contracts. Also, this result may suggest that some governments are starting to provide significant attention to combat corruption by encouraging organisations to implement a compliance programme.

4.7 A charming effect in investment

Interestingly, all participants indicated that anti-corruption compliance programmes influence the investor perspective. This finding suggests that there is a tendency in which investors want to invest in organisations that do business with ethics and transparency, which is consistent with the ideas suggested by Fernandez-Feijoo, et al. (2014) that financial markets are highlighting the need of increasing the level of investors’ confidence by reporting transparency. Some participants suggested that it is because investors are concerned not only about the returns, but also about the business sustainability, some of the comments provided were as follow:

CA2 *“...when investors carry out an evaluation to acquire a new company, joint venture, partnership, ... not only include financial health and technical experience, but also include ethics and transparency of the potential business partner, because they are considering ethics as an important factor for the sustainability of the business in the medium and long term”.*

CA4 *“At the moment to make an investment or to acquire a new business. Investors are considering compliance as factor in the evaluation to invest, every*

time it is becoming more relevant, investors are looking for organisations that have in place an anti-corruption compliance program, comply with legislations and do not have a reputational issue, in order to reduce risk of obtaining returns....”

CO6 *“Some organisations are performing due diligence to their business partners to know if they are acting with integrity, in the past it was only important to get the revenue, but nowadays it is also important to know how the business was generated...”*

CA1 *“People want to invest in a company which follows compliance. Investors will conduct due diligence in the target company, the more compliance the company follows, the more is it healthier and attractive for investors”.*

CO8 *“A compliance programme, in a competitive environment, could be a differentiation. When investors want to acquire the organisation or to create a joint venture or other type of investment, they will be more attracted to invest in an organisation which has a compliance programme, due to the reputation risk and sanctions that an organisation without a programme could represent”*

CO7 *“In the last five years, investors are having more interest in compliance programmes because they know that compliance programmes support organisations to be more sustainable, and they have less financial risk”*

It was found that investors are influenced in two ways: firstly, by the effect of scandals or sustainability in the prices of the shares in the stock market. When a scandal is in public domain, the prices of the shares could drop, and if the organisation is sanctioned, the investors' dividend will be deterred due to the payment of fines. However, this approach is only applicable to public organisations in environments where legislation and enforcement are highly active:

CA5 *“...it has an indirect impact, if they have a negative reputation it can influence the financial performance. Organisations who have reputational issues, can have a negative impact in the prices of shares in the stock market”.*

CO3 *“In terms of a huge public organisation, after a fine is imposed, it may affect the view of the investors towards the organisation. The investors will realise that they do not the same amount of dividends due to the payment of fines and it might negatively affect the share prices”.*

and secondly, by feeling more attracted towards organisations that run business with ethics, because it might give indication of the business sustainability. This is mainly in major transactions, such as mergers and acquisitions. This finding supports the idea by Stucke (2014) that states that compliance programmes can help organisations to be more attractive to joint ventures or potential acquires. Nowadays, investors perform a due diligence process to the target organisation. One responded indicated that due diligence in mergers and acquisitions have a broader perspective of evaluating anti-corruption not only as a compliance with regulations, but also to evaluate the business sustainability. It is also relevant to evaluate the way that the licenses, contracts., etc. were obtained. Another participant indicated that some transactions have been cancelled due to issued found in the anti-corruption assessment. This finding is only applicable to organisations involved in mergers and acquisitions or looking for significant investments from business partners:

CA2 *“The reason to carry out a due diligence over anticorruption is not only limited to contingencies and regulations, but also because findings in compliance could affect the whole business case. For example, ... someone can perform a financial due diligence on the gas station and assure that the figures are right ..., but the compliance due diligence can help to discover irregular things, for example illegal payments to government official to obtain permits or licenses that may not be recorded in the accounts...this affects the business case and sustainability”.*

CA3 *“When investors are looking to invest in emerging economies, specifically*

investment funds, they perform a due diligence, To evaluate the risk of the investments, and their sustainability of the business, in my experience I have seen some Investments cancelled due to the business being based on payment of bribes to government officials ...”.

However, the findings also suggest that there are some investors that only want to have high returns in a short term, and it’s likely that this type of investments has a higher risk and compliance is irrelevant for them:

CA4 *“...in the case of traditional investors, the attitude could be different and tend to be more permissive...”.*

CA3 *“...There are some that only want to have high returns in a short term, and it’s likely that this type of investments has a higher risk”.*

CA1 *“There might be some specific type of investors that do not care about compliance, but in general, investors are attracted by a compliant company”*

4.8 The “insurance” approach

Even that the main objective of this study is to explore the impacts of compliance programmes beyond regulatory compliance, it is relevant to mention that some participants highlighted a new approach that organisations are adopting toward compliance programmes. There were some suggestions that indicate that organisations are shifting their perspective of compliance programmes from a reactive to a preventive approach. Organisations are considering compliance programmes as an “insurance” to prevent risk related not only to legal matters but also to reputational damage to the organisation’s image. The compliance programmes benefits are not tangible unless the organisation commits an illegal act. This finding supports the idea introduced by Zyglidopoulos et al. (2017) that organisations are shifting their perspective from “legal compliance” towards a culture of prevention of financial crimes:

CO6 *“There has been a shift in the organisations from adopting compliance programmes as a corrective action towards adopting them as a preventing tool*

of illegal acts, including corruption...”

CO8 *“I use the analogy of the compliance programme with an insurance. Compliance programmes are an investment whose impact is not going to be tangible unless you have a corruption issue. “*

Effective anti-corruption compliance programmes include the organisation risk assessment, which comprise of an analysis of the corruption risk that the organisation is expose to, as well as the preventive actions to mitigate those risk. Some participants indicated that compliance programmes help to set up the organisation risk appetite, avoid fines and protect its image:

CA5 *“The compliance program in an organisation applies to everybody to do things in the best way, compliance program help organisations to manage their reputation risk and protect the brand”.*

CA3 *“The compliance programme is an investment, is going to help the organisations to be more organised and to have a good image, as well as to prevent fines”.*

CO1 *“Compliance programmes also help to set up the “risk appetite” and risk culture of the organisation and allow to indicate what is acceptable and what is not”.*

However, some participants also mentioned that this approach could not be applicable to all organisations, some exceptions could be SMEs located in specific regions or industries. For example, small business located in Latin America consider that compliance programmes are irrelevant:

CA4 *“... in local and regional organizations in Latin America, having a compliance program is irrelevant, has no influence either for good or bad. Markets in Latin America*

are not mature enough to require to the organisations to have a compliance programme”.

CA3 *“The compliance programme has impact on the brand and image of the organisations but depends on the industry. There are some industries that are in direct relation with the general public (consumers).”*

4.9 Overall findings

In summary, the results indicate that anti-corruption compliance programmes have positive impacts on the organisations beyond a regulatory compliance, boosting performance, creating compliance bullwhip effect in the supply chain, levelling the playground for participants in specific markets, setting up leading practices in some industries, helping to create a competitive advantage, having a charming effect in investment and being an insurance against legal actions and reputational damage.

Some of the findings supports the ideas introduced in the literature review related to the impacts of compliance programmes. However, some of those ideas introduced by some scholars tend to be general. Meanwhile, the findings in this research allows to have a deeper insight on how anti-corruption compliance programmes generate those impacts. For example, in the section boosting performance, it was showed that anti-corruption compliance programmes allow it by the implementation of the due diligence processes, driving off bad clients and suppliers, changing the compensation model of sales employees and enhancing operational and financial processes.

Also, in this chapter it was discussed that some organisations can face more complex challenges to implement anti-corruption compliance programmes, and adopt limited anti-corruption compliance initiatives, which cannot allow to have the same impact that an effective compliance programme has. This conclusion as well as others, and the recommendations for further research will be detailed further in the following chapter.

5. Conclusions and Recommendations

This chapter provides conclusions and recommendations for further research, based on the previous sections of this study, including the literature review (Chapter 2) and the findings and discussion drawn from the primary research (Chapter 4). The conclusions and recommendations address the overall aim of this research: to explore the effects of anti-corruption compliance programmes in the organisations beyond the regulatory compliance.

5.1 Conclusion

Despite the debate whether corruption “grease or sand the wheel”. It was found through a wider evidence that corruption “sand the wheel “at firm level. Hence the importance that international non-governmental organisations and governments promote anti-corruption measures among organisations. OECD was one of the pioneers issuing the anticorruption convention and the guidelines for multinationals organisations, which establishes recommendations to adopt an anti-corruption compliance programme.

In recent years, governments have increased their actions in the fight against corruption, taking an active role by passing anti-corruption laws and imposing millionaire sanctions. Some of these anti-corruption laws have allowed organisations to use anti-corruption compliance programmes as countermeasures against criminal liability. Hence organisations, particularly multinationals, have been motivated to implement an anti-corruption compliance programme. However, some scholars suggested a new approach, in which organisations are adopting compliance programmes because they are having broader impacts in key stakeholders and internal processes. This document set out to explore the impacts of anti-corruption compliance programmes in the organisations beyond regulatory compliance.

One of the major findings in this research is that anti-corruption compliance programmes generate an ambivalent impact in the financial performance of the organisation: firstly, in the short term, deterring financial performance by increasing the cost, bureaucracy and potentially a competitive disadvantage in markets where

corruption prevails; and secondly, in the medium to long term, boosting the financial performance, mainly drove by four actions: the first one is the implementation of an anticorruption due diligence to clients and suppliers that help to drive off the bad ones, as a result organisations establish healthier long-term commercial relations based on trust, as well as reduce their costs associated with the management of bad suppliers and clients. The second one is the modification of their employees' compensation model from sales levels targets towards information completeness and client needs targets, as a result there is generated a change in the client behaviour and increase in their loyalty, because the products that they are receiving are tailored to their needs, and the sales professionals are not only offering products to achieve a "number". The third one is the enhancement of financial and operational processes that drives to savings in the organisations. For example, detecting failures and implementing controls over processes such as: petty cash, hospitalities and entertainment. And the last one is the reduction of costs in the supply chain, the anti-corruption processes in the procurement area allow: (i) to increase the suppliers' quality and standards, therefore the prices and quality of raw materials and services are fair; (ii) to review the agents' fees to ensure that they do not include cost related to bribery; (iii) to detect abnormal paths in the processes that may lead to fraud such as conflict of interest or kickbacks to suppliers.

The findings also suggested, that participants were able to recognise the impacts previously mentioned, due to their vast experience in the subject of this study. However, people, who lack of a comprehensive understanding of the anti-corruption compliance programmes, might not perceive them and attribute those impacts to other areas in the organisation. Therefore, an urgent need was found to establish key performance indicators in the organisations that help them to measure the impacts of the anti-corruption compliance programme.

Other results obtained during this investigation suggest that anti-corruption compliance programmes have broader impacts, not only within the organisation, but also in key stakeholders, as the literature review suggested. Suppliers are one of the main stakeholders impacted by anti-corruption compliance programmes, creating a compliance "bullwhip" effect in the supply chain, influencing vendors to adopt ethical

practices and reduce corruption. The effects are more visible in small suppliers who do not have a formal anti-corruption compliance programmes and multinational organisations share with them their policies, ethical code and provide anticorruption training. This finding is consistent with the idea previously introduced by Jorge & Basch (2013) that indicates that local companies that comprise the value chain of international enterprises are adopting anti-corruption compliance programmes.

Also, it was found that another group of stakeholders that is impacted by the implementation of an effective anti-corruption compliance programme are the competitors, in three main ways: firstly, levelling the playground, by establishing clear rules that prevent disadvantage to enter into new markets or to win a public tender due to the payment of bribes. Secondly, setting up leading practices, by being a model for bench marketing not only among their direct competitors, but also to other industries. And thirdly, creating a competitive advantage and sustainable strategy. It is worth to mention that the role of compliance programmes as a competitive advantage depends on the context. For example, in some countries, the adoption of an anti-corruption compliance programme is a determining requirement to participate in public tenders. This result supports the previous idea introduced by Stucke (2014), which indicates that compliance programmes can be part of the organisation strategy and provide a competitive advantage for organisations.

Moreover, the findings also suggest that investors feel more attracted towards organisations that run business with ethics, because it might give indication of the business sustainability, this is more visible in major transactions, such as mergers and acquisitions. This finding supports the idea introduced by Stucke (2014) that states that compliance programmes can help organisations to be more attractive to joint ventures or potential acquires.

Interestingly, it was also found that organisations are shifting their approach from reactive to preventive. Organisations are adopting anti-corruption compliance programmes as an “insurance” to prevent risk related not only to legal matters but also to reputational damage to the organisation’s image.

During this study, it was demonstrated that anti-corruption compliance programmes have a positive impact in the organisations beyond regulatory compliance. Not only within the organisation, but also among key stakeholders. However, to generate these effects, several challenges need to be overcome. For example, adopting an “effective” approach rather than a “check box” approach. Also, it is relevant that in the implementation of anti-corruption compliance programmes, organisations rethink their business models allowing employees to understand and support the initiatives. Moreover, organisations need to destine enough resources to run an effective anti-corruption compliance programme that tackle their corruption risks.

Also, in this research it was highlighted that the complexity of adopting an anti-corruption compliance programme for the SMEs could be higher, not only due to the restriction of resources but also because of their business model. Also, SMEs tend to have a lower pressure from legal compliance, because prosecutors have limited activity in specific jurisdictions, and mainly target multinational and public corporations. As a result, some companies which were found cost-effective do not adopt an anti-corruption compliance programme. Thus, several organisations are still far away from being benefited by the anti-corruption compliance programmes.

5.2 Implications

The findings of this research suggest that the main drivers to adopt a compliance programme, is still legal compliance. However, it has broader impacts to the organisations and to benefit from it, imply a change in corporate compliance practices which benefit not only organisations who adopt a compliance programme, but also, their stakeholders, such as employees, suppliers and clients.

At the organisational level, the results of this study have implications for improving practices in the anti-corruption compliance. Organisations should shift their “check box” compliance programme towards an effective anti-corruption compliance programme, will allow organisations to boost their financial performance and build a sustainable business. However, manager should be aware that it might imply an adequate

commitment of resources to the anti-corruption compliance programme, and reduction of financial performance in the short-term.

Also, the findings imply the commitment from the managers towards a compliance culture, making decision about the business strategy that allow it to be aligned to the anti-corruption compliance programme. As well as design Key Performance Indicators that allow them to make holistic decisions.

In order to experiment with the benefits of compliance programmes, employees must understand the importance of the programme and that their actions not only imply a legal consequence but can also imply a better performance for the organisation.

One of the major and more complex implications are for the suppliers, who are not only facing “bureaucracy”, but also a change in the way of business practices. It is about learning from their business partners about compliance and institutionalizing it in their corporations, and transmitting the message to their business partners, trying to build a virtuous cycle.

There are some implications for the customers that might seem “bureaucratic” to them. However, it will help them to receive services or products that tackle their need and having fair prices that do not contain payment of bribes.

5.3 Recommendations

- To unify the elements that comprise an anti-corruption compliance programme. It will allow to measure and compare its effects in organisations.
- That governments and prosecutors unify the role of the anti-corruption compliance programmes, as well as the elements to be considered “effective” allowing organisations to know the legal benefits of adopting anti-corruption compliance programmes.
- To increase self-regulation and compliance promotion by the private sector, through chambers of commerce and industry associations.

- That organisations shift their approach from reactive to preventing, adopting effective anti-corruption compliance programmes.
- To develop models of anti-corruption compliance programmes suitable for organisations of different sizes (small, medium, multinational), located in different regions and industries.
- To develop compliance key performance indicators that allow to measure monetary and non-monetary impacts of the anti-corruption compliance programmes.
- More research needs to be done to measure the impacts of the anti-corruption compliance programmes, among different industries, locations and organisations of different sizes. This would enable to measure the real impact of anti-corruption compliance programmes.
- Further research can include a higher number of participant and case studies from organisations who have implemented anti-corruption compliance programmes and others with similar characteristics that have not adopted anti-corruption compliance programmes.

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7. Appendices

Appendix 1. Anticorruption regulations worldwide and the role of compliance programmes in different jurisdictions

Region	Country	Law	Sanctions to Corporations for private to public corruption indicated in the law	Number of Sanctions*	Role of Compliance programme
Europe	Austria	Austria Criminal Law Code (Section 204 to 308) and section 309 and 153a for private bribery	a) Association fines, calculated based on the conversion key of penalties for natural person align to the Austria Criminal Law Code b) Penalty up to € 1 Million	1	Mitigating measure: The lack of compliance programme is not considered a criminal offence. However, the criminal offense is responsible of the decision maker or the employees and the compliance programme could constitute a mitigating/ eliminating factor.
	Belgium	Belgian Criminal Code (Art. 246 to 252) "Public Bribery Statute" and (Art. 504 bis and 504 ter)The Private	a) Imprisonment sanctions into fines from €18,000 to € 2.16 million. b)Criminal fines from € 600 to € 600,000. c) Exclusion of public procurement d) Exclusion of the authorized companies for public procurement	9	Best practice: The lack of compliance programme is not consider a criminal offence.

	Bribery Statute	e) Tax implications f) reputation damage from the publication of the offense.		
Bulgaria	Prevention of Conflict of Interest Act and the Forfeiture of Illegally Acquired Assets Act, to be substitute by the Anti-corruption and Forfeiture of Assets Act (AFAA)*	N/A	1	N/A
Czech Republic	Czech Criminal Code Art. 331	a) Monetary Fines b) Termination of the legal entity c) Forfeiture of property d) Prohibition of activities e) Debarment in public tenders or procurement. f) Ban to access to a subsidy or subvention g) Publication of judgement	0	Mitigating measure: The lack of compliance programme is not considered a criminal offence. However, the liability is determine if the company fail to take the precaution of the illicit act.
France	French Criminal Code (433-1) and (432-11) Sapin II Law*	a) Fines up to € 5 million. b) Prohibition from operating specific activities (up to 5 years) c) Closing down up to 5 years the legal entity d) Being under judicial supervision e) Debarment from public bids f) Prohibition of participate in public tenders g) Confiscation of the goods used to commit the offense h) Publication of the offense i) if enter into an agreement under the Sapin II law: Implement a compliance programme and payment of a fine.	8	Mandatory (explicit in the law) : Lack of compliance programme may lead to civil fines . Companies having at least 50 employees must adopt appropriate whistleblowing procedures . Companies which exceed € 100 Million must adopt a Compliance programme .

	Germany	German Criminal Code (Sections 331 to 338) and Section 229 to 301 for private bribery. Two provisions added 299a and 299b for anti-corruption in the healthcare sector*.	a) Fines up to €10 million per offense, no criminal liability.	257	Mitigating measure: The lack of compliance programme is not considered a criminal offence. However, the failure to implement adequate measures to monitor the employees and prevent misconduct constitute an administrative offence.
	Hungary	Hungarian Criminal Code (Art. 294, 294 and 298-300 of Act C) for public bribery and (Art. 290,291,295,296 and 298-300 of Act C) for private bribery.	a) Fines of 3 times the amount of advantage, minimum of €1,625. b)Dissolution of the legal entity. c) Prohibition to perform certain activities d) Debarment from public bids	26	Mitigating measure: The lack of compliance programme is not considered a criminal offence. However, it could be useful for executives with charges related to negligent criminal offense to avoid liability.
	Italy	Italian Criminal Code (Sections 317-322) for public bribery and section 2635 for private bribery.	a) Fine up to 1000 quotas (quota range between €259-€1,549) thus, up to €1.4 Million. b) Temporary suspension of activities c) Revocation of authorizations, licenses or permits d) debarments e) revocation of subsidies or contributions to the company f) prohibition of advertising of goods and/or services.	16	Mitigating measure (explicit in the law): The lack of compliance programme is not considering a criminal offence. Companies might avoid liability of they adopt a model of organisation, management and control (compliance programme) that is able to prevent and detect the commission of crimes and ensure that it is implemented.
	Luxembourg	Luxembourg Criminal Code (Art. 240) for public bribery and (Art. 310 et. Seq.) for private bribery.	a) Fine up to €3.75 million. b) Exclusion of public bids c) Dissolution of the legal person	1	Best practice: The lack of compliance programme is not consider a criminal offence.
	Norway	Norway Penal Code	N/A	9	N/A

Poland	Polish Penal Code (Art. 228-230a) for public bribery and (Art. 296) for private bribery.	a) Fine between PLN 1,000 to PLN 5 million (€ 230 to € 1.15 Million). Prohibition of specific activities for 5 years. b) Forfeiture of the financial benefit c) Prohibition of advertising, manufacture or sell goods, using grants or any government aid, using aid from international organizations and obtained contracts with the government.	1	Mitigating measure: The lack of compliance programme is not considered a criminal offence. However, the liability may be established if the act was performed with lack of due diligence in the internal organization of the company, which if done could have prevented the occurrence of the illegal act.
Slovak Republic	Law on the Criminal Liability of Legal Persons*	N/A	0	N/A
Spain	Spanish Criminal Code (Sections 419 to 427) for public bribery and Section 286b for public bribery	a) Monetary fines: A daily fine from 6 months to 5 years (starting from €30 to € 5,000 per day) thus, €9.12 Million. Or up to 5 times the profit obtained (if higher). b) Dissolution of the legal entity. c) Suspension of activities up to 5 years or temporary (up to 15 years). d) Prohibition to access to public subsidies or incentives e) Debarment of public bids f) Judicial intervention	0	Mitigating measure (explicit in the law): Section 31 bis Spanish Criminal code indicates that the adoption of an effective organization and management model that allow implement supervision and controls capable to prevent illegal acts, is deemed to exempt liability.
Sweden	Swedish Income Tax Act	a) Monetary fine from SEK 5,000 to SEK 10 million (approximately € 483 to € 996,930 ***)	6	Mitigating measure: The Swedish Penal Code does not indicate that recognise compliance programmes as tools to reduce or eliminate the liability. However, if a company is fined, the existing of a compliance programme may reduce the amount of the fine.
Switzerland	Swiss Criminal Code (Art. 322 ter to 322 quarter) from public bribery and (Art.	a) Pecuniary fine up to CHF 5 million (approximately € 4.3 Million***) b) Forfeiture of the assets used to perform the crime.	10	Mitigating measure: In practice, and effective compliance programme can eliminate the criminal liability if it is

		322octies to 322novies) for private bribery			demonstrated that all the measures to avoid the offense.
	Turkey	Turkish Criminal Code N. 5237 (Art. 252) Law on declaration of property and combating bribery and corruption Law on ethics board for public officials Civil Servants Ethical principles	a) Revocation of license or permits b) Confiscation of property or material interest c) Debarment of public procurement d) Administrative fines	0	Best practice: The lack of compliance programme is not consider a criminal offence.
	Ukraine	Criminal code of Ukraine (Chapter XVII) Law on prevention of corruption 2014	a) Monetary penalty, twice the benefit of the entity from € 2,833 to € 42,500.	N/A	Mandatory : For companies participating in public tenders (limited elements of compliance programmes).
	United Kingdom	The Bribery Act 2010	a) Unlimited monetary fine b) debarments of public procurement. C) Forfeiture of property	17	Mitigating measure (explicit in the law): Based on the 7th section of The Bribery Act, it's a defence for a company to prove that it has adequate procedures to prevent persons to be engaged in bribery. The UK Ministry of justice published a guidance on the procedures (elements of compliance programme).
Asia-Pacific	Australia	The criminal code Act 1995 Divisions 141 and 142 for public bribery Private bribery is regulated by some Australian	Penalties that could be calculated: a) Between 1,500 - 10,000 units (AUD 270, 000 to AUD 18 million, approximately equivalent to € 170, 452 to € 11.3 Million) **** b) triple the value of the illicit benefit c) 5% -10% of the annual turnover of the corporation	0	Mitigating measure: In two instances criminal liability to corporations could be created, the first one is when is proven that the corporate culture encourage and tolerate non-compliance, and the second one is when companies are

	State and Territory laws			unsuccessful to create a culture that requires compliance with anticorruption law.
China	PRC Criminal Code (Art. 389,390,390A and 393) from public bribery and Art. 164 of the criminal code and PRC Anti-Unfair Competition Law for private bribery.	a) Pecuniary fine	N/A	Best practice: The lack of compliance programme is not consider a criminal offence.
Hong Kong	Prevention of Bribery Ordinance "POBO" (Chapter 201) or private and public bribery	No responsibility for corporations	N/A	Best practice: The lack of compliance programme is not consider a criminal offence.
Japan	Japanese Criminal Code (Art. 197 and 198) for public bribery	a) The legal entity could be debar from public procurement and subject to other sanctions such as revocation of licenses.	12	Best practice: The lack of compliance programme is not considered a criminal offence. However, the unfair Competition prevention Act realised in July 2015, established a framework for a compliance programme.
Malaysia	Malaysian Anti-Corruption Commission Act "MACCA" 2009 or private and public bribery	No responsibility for corporations	N/A	Not commonly adopted. The law might change in 2018 and include corporate liability.
Myanmar	The Anti-Corruption Law (2013) for private and public bribery Myanmar Penal Code	Not specific. However, the definition of "person" in the law could be interpreted as individual or corporation. Thus, corporations could be punished (monetary fine).	N/A	Best Practice: It is advisable to adopt a compliance programme. However, it is not mandatory. Some regulations provided a list of the elements that the

	(Chapters IX and XIA)			compliance programme must contain.
Philippines	Revised Penal Code (Art. 201- 2012) and Republic Act. N. 3019 ("The Anti-Graft and Corrupt Practices Act") for public bribery. There are no regulations for private bribery.	a) Revocation of license or business permit	N/A	Best Practice: The lack of compliance programme is not considered a criminal offence. However, the pharmaceutical sector is regulated under the implementing guidelines on the promotion and marketing of prescription pharmaceutical products and Medical Devices provides a list of elements of compliance programme that a company should implement.
Russia	Federal Law N. 273-FZ "On combatting Corruption" of 25 December 2008.	a) Pecuniary fine from RUB 1 Million to 20 Million (approximately € 13, 529 to €270,529)****	No information	Mitigating measure (explicit in the law): The anti-corruption law provides a framework of measures that a company should take in order to prevent corruption.
Singapore	The Prevention of Corruption Act of Singapore (the "PCA") Chapter 241 The corruption, drug trafficking and other serious crimes Act. The penal code	a) Monetary fine up to SGD 100,000 (approximately € 62,710) b) Confiscation of the benefits	N/A	Mitigating measure: The lack of compliance programme is not considered a criminal offence. When a company commit an illegal act and the company has a compliance programme, this can be used to mitigate any punishment imposed.
South Korea	Criminal Act (Art. 129 to 133)	a) Confiscation of the bribes. No specific sanctions for corporations.	25	Mitigating measure: The lack of compliance programme is not considered a criminal offence. When a company commit an illegal act and the company has a compliance

					programme, this can be used to Mitigating measure on its duty to adequately supervise its employees.
	Taiwan	Taiwan Anti-Corruption Act (Art. 4-6 and 11). Criminal Code (Art. 121-123 and 131).	No responsibility for corporations	N/A	Not commonly adopted and not recognized in the law
	Thailand	Penal Code of Thailand	a) Monetary fine from THB 10,000 to THB 14,000 (approximately € 257 to € 360)****	N/A	Mitigating measure: The lack of compliance programme is not considered a criminal offence. It might be possible that the judge consider the implementation of a compliance programme in the determination of the liability.
	Vietnam	Anti-Corruption Law Penal Code, reforms effective in 2016	No responsibility for corporations	N/A	Best practice: The lack of compliance programme is not consider a criminal offence.
America	Argentina	Argentine Criminal Code	No responsibility for corporations. However, some amends to the law are being discussed and it include corporate liability and the adoption of compliance programmes.	0	Best practice: The lack of compliance programme is not consider a criminal offence.
	Brazil	Brazil Criminal Code Brazilian Anti-Bribery Law	a) .1% up to 20% of the last year gross revenue or from BRL 6000 to BRL 60 million (approximately €1,321 to €13.2 Million)**** b) Publication of the condemnatory decision c) Prohibition of receive government benefits such as: subsidies, incentives, grants, donations and loans from public financial institutions up to 5 years. d) Confiscation of the assets or the value that represents the advantage. e) Partial suspension	0	Mitigating measure (explicit in the law): The lack of compliance programme is not considered a criminal offence. However, the existence of internal mechanism and procedures of integrity to report misconduct and effective enforcement of codes of ethics will be consider to determine the fine. In 2015, the Federal Executive Branch issued a Decree

		f) Dissolution of the company.		that establishes the compliance programmes elements.
Canada	Canadian Criminal Code (RCS 1985, C-45. Sections 119-125)	a) Monetary fines	4	Mitigating measure: The lack of compliance programme is not considered a criminal offence. However, the compliance programme could be used as a defence in the determination of responsibility. Companies in Canada adopt Compliance Programmes as a best practice.
Chile	Chilean Criminal Code (Art. 248 to 251)	a) cancelation of legal capacity b) Dissolution c) debarments from public procurement d) Loss of fiscal benefits e) Fines for the benefit f) Publication of the issue g) confiscation of assets	2	Mitigating measure (explicit in the law): The lack of compliance programme is not considered a criminal offence. However, the existence of a crime prevention model might be used to eliminate or mitigate criminal liability. In December 2009, the Law 20.393 published the minimum standards that the model should contain.
Colombia	Colombian Criminal Code Anti- Bribery Statute 1778 Law 2016	a) Monetary fines up to 200,000 times the value of the minimum monthly legal wages (USD 40 million, approximately € 34.1 million****), as well as the lack of adoption of compliance programmes, when it is required. b) Debarment from public procurement c) Liability of statutory auditors	0	Mandatory (explicit in the law): The lack of compliance programme is not considered a criminal offence. However, in 2016 was introduced in the 1778 Law that adopting efficient transparency and business ethics programmes or anti-corruption mechanism would be relevant for

				the penalties determination. The main sectors that are required to adopt these programmes are pharmaceuticals, infrastructure and construction, manufacturing and mining and energy. The programme must contain the element enacted by the Superintendence guidelines.
Mexico	Mexican Federal Criminal Code (Art. 222) General law of Administrative Responsibilities 2017	a) fines based on daily profits, fines up to USD 7.3 million (approximately € 6.2 million****), or 35% of the contract. Or up to USD 6 million (approximately € 5.1 million****) b) Debarment up to 10 years. C) Dissolution	0	Mitigating measure (explicit in the law): The lack of compliance programme is not considered a criminal offence. However, the General law of Administrative Responsibilities 2017 establishes elements of a compliance programme that may mitigate liability.
Peru	Peruvian Criminal Code Law N. 30424- Liability of entities for the crime of active foreign bribery - 2018	a) Fines from 2 times up to 6 times the benefit obtained b) Up to 2 years of suspension of activities c) Prohibition of public contract d) Cancellation of licences, concessions, rights and other administrative authorizations. e) Temporary or definitive closure of the premises of the company f) Dissolution of the company.	N/A	Mitigating measure (explicit in the law): The lack of compliance programme is not considered a criminal offence. However, the Law 30424 indicates that a company will not be liable from bribery if in a volunteer manner adopt a prevention model. The law include the elements that the programme should include.
United States	Foreign Corrupt Practices Act "FCPA" 1977 18 USC 201 section 201	a) Monetary fine of USD 500,000 (€ 427, 350****) or up the 3 times the value of the bribe. b) FCPA : under the anti-bribery provision up to USD 2 million (€ 1.7 million ****) per violation and under the accounting provision up to USD 25 million (€21.3 million) per violation.	191	Mitigating measure (explicit in the law): The lack of compliance programme is not considered a criminal offence. However, In 1991, the US Sentencing Commission promulgated the sentencing guidelines for business organizations which

				indicates that the compliance programmes could be used as a Mitigating measures in the determination of fines.	
	Venezuela	Law Against Corruption 2003 amended on 2014.	a) Monetary fines b) Confiscation of assets c) Debarment to public procurement	N/A Mitigating measure: The lack of compliance programme is not considered a criminal offence. However, the compliance programme could be used as a defence in the determination of responsibility.	
Middle East and Africa	Azerbaijan	The Law of the Republic of Azerbaijan on combating corruption 2013 Criminal code	No responsibility for corporations. However, some amends to the law are being discussed and it include corporate liability and the fines might include: suspension of activities, monetary fines, confiscation and legal entity dissolution.	N/A Not commonly adopted and not recognized in the law	
	Egypt	Penal Code (Art. 103-111)	No responsibility for corporations	N/A Not commonly adopted and not recognized in the law	
	Israel	Israeli Penal Law of (Article 291A).		1	
	Kazakhstan	Kazakhstani Criminal Code (Art. 366 to 368) Code of Administrative Offences Law on State Service of the Republic of Kazakhstan Law Countering Corruption	a) Monetary fines from 750 to 1500 times the monthly calculation index (approximately 5,157 USD to 10,314 USD, equivalent to approximately €4,407 to €8,815).	N/A	Best practice: The lack of compliance programme is not considered a criminal offence. However, the law on countering corruption require to adopt some anti-corruption measures, however, as of today it are not mandatory.
	Morocco	Moroccan Criminal Code (Art. 248-256)	a) Monetary fines b) Confiscation of assets c) Dissolution of the legal entity	N/A	Not commonly adopted and not recognized in the law
	Saudi Arabia	Regulations for Combating Bribery Royal Decree M/36	a) Monetary fines up to 10 times the value of the bribe b) Subject to be added to	N/A	Mitigating measure: The lack of compliance programme is not considered a criminal

		dated 29/12/1412H	black list for public procurement		offence. However, the compliance programme could be used as a defence in the determination of responsibility.
	South Africa	Prevention and Combating of Corrupt Activities Act, 2004	a) Monetary fines up to 5 times the value of the bribe b) Debarment from public procurement up to 10 years c) Confiscation of assets	0	Mandatory for specific sectors: The government published requirements to adopt international recommendations in order to combat bribery for public companies and state-owned companies. For the rest of the sectors, it is a best practice.
	United Arab Emirates	UAE Federal Law N. 3 of 1987 (amended)	a) Monetary fines b) Confiscation of assets	N/A	Best practice: The lack of compliance programme is not consider a criminal offence.
Total Sanctions				601	

Notes:

* Law reforms adopted from 2016 to 2018.

** Include sanctions to Individuals and corporations from 1999 to December 2016.

*** Exchange rate 1 Euro= 4.33 PLN, 1 Euro= 10.3420 SEK, 1 Euro= 1.15 CHF consulted on June 26th, 2018. Source: www.xe.com

****Exchange rate 1 Euro= 1.58402 AUD, 1 Euro= 73.9118 RUB, 1 Euro= 1.59462, 1 Euro= 38.75550 THB, 1 Euro= 4.54 BRL, 1 Euro= 1.17 USD consulted on July 6th, 2018. Source: www.xe.com

N/A: Not available

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Appendix 2. Interview Transcripts

Interview 1.

Interviewee: Compliance Officer (1)

Interviewer: Leslick Castillo Flores

Main points commented:

The compliance programmes have different benefits, either internal or external.

Internal:

In multinational companies, compliance programmes can create an effect of common rules and standards in the organization across different countries, cultures and languages i.e. “speak the same language”.

Compliance programmes also help to set up the “risk appetite” and risk culture of the organisation, and allow to indicate what is acceptable and what is not.

Through training, compliance programmes can help to avoid excuses or ignorance of the policies and rules in the organizations. Having employees trained would avoid them saying that “they did not know it was wrong what they did” or “I do not know the rules”. Not only that, it will help them as a guidance to handle complex situations.

Also, compliance programmes can help to create confidence in the compliance department such that they will be able to mitigate the risks in the organisation.

External:

Stakeholders (shareholders, society, government, employees, suppliers) want that organisations, mainly public or anonymous societies, do things in the right way and act with integrity. Compliance programmes can offer the assurance of this.

In the economic environment, compliance programmes help to level the ground among companies in the same industry. For example, if most of the companies are complying with rules and one of the company is corrupt, it is most likely that it won't survive.

Other external impact is on the society and on the products that they receive. Compliance programme help to ensure that the money that is spent is assigned properly. If there are payments of corruption, prices tend to be higher and the consumers are the ones that will pay for it.

Brand and Image

In the case of my organisation, there are two main ways in which compliance programme is playing a role in the brand and image. The first one is in the Annual Report. The stakeholders in specific the shareholders are interested in corporate governance. They expect the system and controls in place to be good enough to keep their investment safe. There have been cases in which the image was damaged due to scandals and it takes several years to regain the reputation.

The second way, is before establishing commercial relationships with external stakeholders (customers and vendors), some of them perform a due diligence process, and if the organisation has an integrity issue, potential business partners reject to cooperate with them. They do not want to be associated with companies who have a bad reputation.

Top Management

The top management in his organisation has been supportive, becoming a leading company in the compliance field in Greece. The company is IPC and belongs to the construction industry. It is the first one to have a Compliance Director. In Greece, there were several cartels in the industry that had agreements with corrupt politicians and the compliance programmes can help the organisations to combat this situation.

Some of the benefits for the board of directors, and mainly for the CEO, is that things are doing well. CEO is ultimately responsible for what is happening in the organisations, and if this goes bad, he/she could be sued and be in prison.

Organisational cultural

The compliance programme in his organisation, is pretty new and has not created any tangible effect. Nowadays, the organisation is performing some activities ad-hoc and developing others by giving such training.

In other organisations in which the compliance programme is more mature, the effect of compliance programme was measured through employee surveys. That tool helps the organisation to assess the employees' perception about ethics in the organisations and the measure unethical risk through dilemmas and scenarios of what to do.

Employees

Compliance programmes impact employees in different ways. First of all, they allow them to work in a good environment, with ethical rules and develop their career with meritocracy, and to act with respect, being transparent and open.

Another benefit is that of working in a company which can be perceived as clear and that works with good rules. It assures them to have a job in the long-term. Moreover, the younger potential employees want to join companies that have a good citizenship. Companies that are clean tend to attract more people.

Additionally, employees who have been witness of prosecutions in previous jobs (policy enter in the facilities), prefer to avoid companies that do not have clear rules.

Strategy

The Compliance programme impacts the strategy, to incorporate in the mission, vision and values to act with integrity and ethics.

It also supports the expansion of the companies, identifying high corruption risks in new potential markets and avoid doing business in a corrupt environment. Also, it helps to identify who are the business partners, for example the organisation developed a "black list" of vendors. The CEO sent a clear message stating that: "clean business, is our organisation business".

Internal processes

There is a huge impact in internal process. At the beginning of the implementation of the compliance programme, the internal process could be stopped due to new controls. However, after a point, the processes started to optimize, and employees are clear in knowing what they should do and follow the rules, as well as to determine when a situation should be escalated and avoid some situations.

Some of the processes that are mainly impacted are hiring, gifts and entertainment, accommodation, sponsorships, employees, hiring intermediaries, audits, reporting systems (whistleblowing system), project bidding (in construction is relevant to review the expenses included in the project, because some could be “hidden payments” and these could be related to payments of bribes). Other processes that are impacted are procurement (due to potential conflict of interest and that the vendors could be paying bribes and charging the company). The impact on the customer procedures in order to avoid kickbacks when they try to impose their friend to be hired as contractors is also relevant.

Another process to be affected is the antitrust process, to have clear rules with the competitors.

Creating a sanction check process is relevant to review that the business partners are not included in official “black list” such as the European list or have committed some crimes such as corruption or violation of human rights, among others.

Also it is relevant to implement a KYC (Know your Customer) procedure in order to determine who is the ultimate beneficiary of the transaction and identify if any of the payments made by the organisational has as a final beneficiary as a government official.

Financial Performance

It is expected that in an environment where corruption is the norm, if a company wants to implement a compliance programme, it will obtain less revenue.

In the case of a company that was sanctioned, after the fine of €75 billion, it implemented a compliance programme, and was expecting a decrease in the growth. However, it noticed an increase in the revenue, not only due to the acquisitions, but also due to the confidence that the compliance programme started to create in the customers and suppliers. The controls secure more quality, a good delivery and major compliance.

In multinationals with mature compliance programmes, people act with more care and they know that revenues that would be the result of any misconduct, won't be enough to pay the sanctions and penalties.

In the case of medium size companies, whether the compliance programme brings more revenues could be questioned or it is harder to determine.

Customers

The compliance programmes help to create more trust in the organisations, and if the customers are multinational, the companies "talk the same language".

In the case of an employee being involved in a misconduct, the customer can inform the organisation through the compliance programme channels (whistleblowing) and detect inefficiencies.

In the case where the immediate customers are not the final consumers, having a compliance programme can create more trust in the final consumers.

Suppliers

There are two main classifications and impacts. The first group is the one in which most of the suppliers are big. For example, the ones that supply a turbine, most of these suppliers also have in place a compliance programme and expect to have the same standards and not be associated with corrupt companies that obtain work in an unethical way.

The second group is comprised of the small suppliers. Typically, local companies having less revenue and lacking control systems. Companies with compliance programmes, influence them by imposing them to comply with regulations.

Rivals

There are many ways in which the industry is being affected by the adoption of a compliance programme. It helps the market to become more mature and act with integrity and compliance, creating a “collective action” in which everybody is tackling corruption. Companies, employees, society, shareholders should avoid corruption.

The adoption of standards by the industries, help them to mature and to create it as a requirement. For example, the ISOS were adopted by several industries and nowadays are recognized worldwide and are requirements to work with several companies.

Community

Non-compliance affects the way the money is spent and the creation of infrastructure of a community.

Compliance programmes can help to report and to carry out investigations and to know where the money is being spent and avoid corruption.

Government

In the country where the headquarters of the organisation is located, the government do not provide specific requirements to adopt a compliance programme. However, if a company offers a small amount of money, it is very likely that the government requests higher and higher amounts. If corrupt government officials know that the company does not pay bribes, they are not going to ask for it.

Cost of compliance

Compliance could create bureaucracy, implicates to create processes, controls and reports. Sometimes it could be hard to determine what are the resources that must be allocated to invest. It is a matter of negotiating with the financial director. The

compliance programme could be expensive but trying the non-compliance could be more expensive. Every day the news is informing about heavy fines imposed on companies which are non-compliant, moreover the cost of litigation and the damage to the brand is not that easy to measure.

It is relevant to design Key Performance Indicators that allow to measure the benefits of the compliance programme. Sometimes the benefits could be attributed to other initiatives of the organisation, but they belong to the compliance programme.

Interview 2.

Interviewee: Advisor (1)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and image

Public perception of an organisation of being a good corporate citizen is a value add for the image of the company, as it helps in building goodwill with suppliers and customers.

Tone at the top

There are some complexities when management and the board of directors face the implementation of compliance programmes, whether it is anti-corruption or any other programme, the first reaction is negative, in a sense that compliance for them means more bureaucracy and more cost. Compliance is not an alternative exercise of whether a company should or should not comply with regulations as at the end of the day, it has to accept it.

Organisational culture

Compliance programmes are owned by management and must be promoted actively for all type of compliance such as tax, competition and anti-corruption. For example, the market practices followed by the organisation must be reviewed in order to ensure they are not related to corruption and bribery. The programme changed the way

relationships are managed with commercial agents and customers. The program has to be owned by the management and if the programme is not accepted by the employees, penalties must be imposed, in order to embed the compliance programme in their organisational culture.

Employees

Employees are happier and more productive in an environment where there is an ethical and legal behaviour and bad practices are not tolerated.

Strategy

Depends on the organisation strategy, but in general for brand building the compliance programme can support the organisation.

Internal processes

Compliance programs affect the internal processes. For example, in the anti-corruption compliance programmes, the remuneration of an agent or the agreement of a commercial contract generally you have to pass through an approval process. The way to make decision changes, now that the marketing and sales people who own the contract, must also include the legal and finance department in the negotiation. The fees cannot be higher than the average commission, because it could be interpreted as a payment to an agent to be involved in illegal activities (bribery).

Financial performance

There are costs involved in the implementation of a compliance programme. Initially it doesn't seem to pay off, but in most cases, it is observed to result in a higher benefit in the long term. Compliance with the law, provide real benefits, which means that fines are not going to be imposed and also there will be other benefits for the company that are difficult to assess. It is easy to find what implementing the compliance has cost but it's very difficult to measure the benefits from compliance.

Customers

Compliance programmes generate more loyalty among customers.

Suppliers

Compliance programmes, generally introduce strict rules for the suppliers and improve efficiencies of suppliers which helps to avoid corruption.

Competitors

The impact of the compliance programmes depends on accompanying ecosystem and the industry, but generally speaking, it is perceived as a competitive advantage and the practices may be adopted by the industry, although it depends very much on the nature of the industry. There are some Industries, that are more supportive towards compliance, and another Industries that are not supportive of compliance. For example, there is a strong movement in the in the Chamber of Commerce to make the organisations adopt compliance principles, basically to have healthier practices.

Investors

People want to invest in a company which follows compliance. Investors will conduct due diligence in the target company, the more compliance the company follows, the more is it healthier and attractive for investors. There might be some specific type of investors that do not care about compliance, but in general, investors are attracted by a compliance following company.

Government

In the relationship with organisations, the government has the power to exclude organisations from public procurement and lucrative contracts. There are compliant companies that avoid collusion with their competitors. These companies reduce the public procurement cost and also reduce corruption and bribing officials for government contracts.

Society

Compliance program do not have a direct impact on society. We shouldn't confuse compliance programs with social corporate responsibility. The impact of compliance

programmes is indirect through one organisation operating in a more efficient and socially conscious manner. Social Responsibility is optional.

Interview 3.

Interviewee: Advisor (2)

Interviewer: Leslick Castillo Flores

Main points commented:

The perceived benefits of the compliance programmes are linked to the approach taken by the administrations towards the compliance programme. Several years ago, in Mexico, the organisations started to implement compliance programmes in order to comply with the requirements established by their commercial partners. In those days there was minimal monitoring of commercial partners, hence organisations in Mexico considered that compliance programmes were only a “requirement”.

After some years, some anticorruption regulations were established, even though there is no enforcement in Mexico. The organisations began to get worried about the topic, also due to some reforms in the legislation, such as the penal responsibility and some cases more related to fraud, in which the commissioners and administrators have been sued. At this point, many organisations started to give importance to compliance programme in order to comply with legal requirements. The commissioners were the main people encouraging the programmes, because they have been more affected by these issues. The companies who started to take it more seriously were the multinational companies and the private equities.

There was an evolution of compliance, which was more noticeable when some enforcements bodies started to sanction companies around the world. There is a trend in compliance drive mainly due to three components:

- a) Regulators: Emission of anti-corruption law and application around the world, in US, UK, Germany, Spain and France (Sapin II). These countries have been encouraging the anti-corruption efforts and transparency and these have been

permeated to other regions such as Latin America, for example in Brazil (with sanctions to companies like Odebrech and Lava Jato), Argentina, Peru, Colombia, Panama and Mexico (Anti-corruption system).

- b) Society: This is a key factor in creating pressure on the governments to pass laws to combat financial crimes (including corruption). Corruption is the most critical problem, because it is affecting the availability of resources and the services that the citizens are receiving as well as the quality of those services. There are sectors that are the most affected by corruption such as public security, education, health.
- c) Leading companies that are more visible and regulated not only by the government but also by the public opinion. These companies have realised that part of their sustainability is the compliance.

There is a tendency which is arising that the new norm to do business is with business ethics and transparency, which is not just a philosophy, as companies are not doing this just because of social responsibility. They are realising that this is a good business opportunity, because when investors carry out an evaluation to acquire a new company, join venture, partnership, distribution contracts, alliance or any other commercial relation that imply the expansion of the supply chain, the business cases of these transactions not only include financial health and technical experience, but also include ethics and transparency of the potential business partner, because they are considering ethics as an important factor for the sustainability of the business in the medium and long term.

Leading companies in Mexico are taking ethics and compliance as an opportunity to raise their competitive advantage and as a differentiator in the markets. The capabilities are acquired more quickly but they are expiring more quickly as well. For example, the “know-how” and talent retention. The companies are looking for tangible differentiator that they can use to do business as well to interact with regulators and the general public. Some executives are looking at compliance programmes as strategic, not just as a regulatory or business partner requirement, but to proactively present it to the public opinion and society, in order to get a

differentiation. This will allow them to have a better position and a stronger brand to create trust in their customers.

There is an interesting question: are the markets giving a reward or punishment to the companies that have higher standards of ethics and transparency in the business? The answer depends on the industry:

- a) Rewards: By being their favourite suppliers and pay a premium price. Sometimes not directly to the consumers, but it is more noticeable to the business partners that are willing to do business with the organisations in a more ethical and transparent manner. For example, in the pharmaceutical industry, the importance of compliance is very high. Multinationals that are coming to our market (Mexico) prefer to do business with companies that have compliance programmes, due to the high risk of corruption in the sector. This is applicable to the energy sector too. During the “energetic reform” some companies decided to implement compliance programmes or perform compliance reviews to the business partners. With the change of government, there are some initiatives to review the contracts that were granted in that period. Companies who obtained the contract with ethics and perform due diligence in ethics need not worry, but that might not be the case for those companies which did not take the precaution.
- b) No punishment
- c) Punishment: Some companies that have seen a decrease in their stock market prices have put too much effort to recover the confidence in the consumers and invested high amounts of money in order to recover their position in the market. The competitors take advantage of these errors of organisations, and there have been few cases like these in different sectors such as automotive, retail, pharmaceutical and construction.

Additionally, there are some benefits, of the compliance programmes. One of the main components of the compliance programmes are the due diligence to third parties. Based

on my empirical experience, when the process starts to be implemented with activities such as contract review, incorporation of compliance clauses and obtain information, the quality of third parties (suppliers, customers) start to get improved. More than just a case of a supplier having an issue of corruption, this issue indicates a conduct path and can help to detect “red flags” that can result not only in corruption but also into fraud or abuse. When a due diligence is performed to business partners, the quality of the supplier is higher, and impacts in the cost, efficiency and transparency. Also it is helpful to control the risk of misconduct of the personnel that you have in your organisation, for example in the procurement area or the tenders. With this exercise of third parties debugging, the company can detect typical schemes of fraud for example: small vendors who provide different services and have conflict of interest for employees in the organisation.

Another benefit is in the process of merger and acquisitions. The reason to carry out a due diligence over anticorruption, is not only for contingencies and regulations, but also because the value is clearer because the findings in compliance could affect the business case in other areas. For example, in the valuations and in the drivers of the business and the sustainability. In Mexico, with the energetic reform, there have been several acquisitions of local gas stations by multinational organisations. Someone could perform a financial due diligence on the gas station and assure that the figures are right and the business is sustainable and consistent, but the compliance due diligence can help to discover irregular things, for example illegal payments to government official to obtain permits or licenses that may not be recorded in the accounts. Earlier the companies used to evaluate the financial and compliance due diligence in a different way, and the compliance due diligence was measured as “regulatory contingency” and was negotiated as part of the final price. For example, in a fiscal contingency, the acquiring part retains an amount to guarantee the materialization of the contingency. However, it is clear that those contingencies could affect the business drivers and can affect the sustainability of the business and their earnings. For example, in the case of the gas station, if the business was running due to payments made to government officials and the acquiring corporation stop those payments, the government (mainly locals) could stop the business Also if payments were made to the organized crime, and if the

business is making those type of payments, after the investment or acquisition the organized crime would ask to continue with the payments. It will create a bad relationship inherited from the previous owner and practices. This affects the business case and sustainability. The compliance due diligence helps to discover the business practices that are implicit and permeate in the organisations and its capabilities to generate utilities and sustainability. People in areas of business development, finance and valuation should be aware of the impact and that the findings of the compliance could affect their business case and make a more holistic evaluation and not be just focused on the figures.

Brand and Image

Some companies can defend through legal strategies. However, the reputation does not matter in jurisdictions nor do the borders and the processes and time. The reputation is perception, presumption and judgment of the society without a legal process and making accelerated conclusions. Some reputation issues have affected the organisations and could be unfair. Related to the consequences of non-compliance, in Mexico, there have been sanctions imposed by the FCPA, and also caused some damage to reputation of companies. Some organisations have received a positive verdict, however, their reputation still suffered damage.

Top Management

The top management should adopt compliance programmes for conviction, not for commitment, and should invest in resources to adopt the programme. If top management does is not convinced of the benefits of the compliance programme, the probability of the programme success is very low.

There should be an awareness in the top management and it should define which strategy should be followed, and include it in the mission, vision and values. They should specify how they want to do business and understand if the results are more important than the methods, how they want to gain position in the market and how they want to compete in their industry and location. Some companies do not reflect on their strategy or reflect in a reactive way. For example, in the pharmaceutical industry, if you noticed

that you are not obtaining contracts maybe it is because the practices that you are applying to do business are not accepted in your market and are not part of the capacities as a business. Top management should encourage the programmes and change their attitude to recognised the benefits.

Some executives learn from bad experiences of other companies, for example in Brazil, at the beginning in the compliance seminars there were only few people. However, after the enforcement (Odebrech case) entered in the country, more people became interested in knowing about the topic and now a large number of people are participating in seminars and other events about compliance This is because the executives were asking to implement compliance programmes in their organisations, and learn from those bad experiences. Some companies may be adopting the programmes by convictions meanwhile other are adopting them as a legal requirement.

Regulations

Countries sometimes adopt regulations and enforcement due to international pressure and potential investors, in order to level the field for the national and foreign companies. In Mexico, the National Anticorruption System was recently adopted as a result of international pressure from organisations such as OECD, International Transparency, among others. In the system, there are citizens that are creating pressure in some bodies.

Employees

From my experience, compliance programmes have an impact on the employees. You can notice a quality in the personnel that the organisations have not only related to technical capabilities, but also to create an ethical culture as organisations have started to create “honest communities” that allow more efficiencies and productivity. People appreciate that organisations are being just with them along with being good. Compliance programmes help to create an equilibrium related to the treatment that employees expect and a fair and transparent environment for the professional development. This creates a decrease in turnover and more talent attraction. There could be an award that the organisation may grant to employees because of compliance.

People not only look for money, some people could be happy to earn the same or a little bit less in an organisation that complies with ethics and does not create conflict with their personal values when they are asked to perform activities that they do not agree with. People prefer to be in a place where their concerns are heard, and actions are taken against people regardless of their position. This is a reward that companies can provide to employees. If some people do not agree and their values are not shared with the organisations, then by natural flow, they will leave the organisation.

Human Resources is a relevant topic that may be included in the anti-corruption programmes. For some people is more important to work with company A instead of company B with compliance.

In one organisation, the director of tenders commented that the organisation was implementing a compliance programme, and that was good for the organisation because recently they were involved in negative media publicity, and he knows that the organisation conducts with good standards and the information on the news was fake. He stated that it was affecting him personally, because his social circle was talking about the news of his organisation and he was associated to the organisation and that he may be acting as well with a lack of integrity.

Cost

There are some methodologies to measure the return on invest of compliance. It is a matter of cost-benefit. A well designed programme, which is effective related to important risk and has the enough resources to operate in and efficient way, might be self-funding. The direct example is to avoid fines, but also add to the value of the brand. In the automotive industry, there have been several cases of corruption and fraud which result in a damage in the brand.

Also, other financial benefits are the depuration of clients and suppliers, getting better quality and fair prices and not having overpricing materials or services or bad quality.

These should be financial impacts that should be measured and monitored to see the benefits, as a return on the investment in compliance.

Also measuring the reduction in the rotation of employees impacts in less cost of training and could be measured as part of compliance. It is important to analyse the root cause and the effect. Sometimes the compliance programmes do not promote their value and the actions may be reflected but the organisation is attributing these to another areas and initiatives.

Suppliers:

The compliance programmes have an effect on all of the supply chain. For example, in Mexico, the fiscal regulations have evolved, nowadays organisations either small or big are aware of their fiscal obligations. However, this was different twenty years ago. The messages that the authorities sent have permeated through all industries and organisations, due to enforcement. Compliance programmes as well will be permeated in some years when enforcement start to be more effective.

Interview 4.

Interviewee: Compliance Officer (2)

Interviewer: Leslick Castillo Flores

Main points commented:

The main contribution of the compliance programme has been in the organisation culture, for example, in the organisation where I am working, it was performed an analysis among employees in order to identify our values. Previously the values did not include ethics and integrity and the company made a focus group to identify those values. Now integrity is one of the core values of the company, which was brought about by the compliance programme, helping the leaders communicate to the employees that ethics and integrity is important.

The company has a reputation in the market for holding ethics and integrity as one of the highest priorities, and this influences more people to apply for hiring at the company.

Brand and Image

The Due Diligence programme is new, having been run for 3 years. The partners are not used to the process, and it has been helpful to develop the awareness on how ethics and compliance is important for our organisation. It has changed how the people perceived us in the market, because we are taking compliance very seriously.

Top Management

Looking back a year ago, the board of directors were very supportive. One director used to work in a company that was under investigation for FCPA matter, so he knows the importance of the compliance programme and its impacts. That is why some initiatives of the compliance were adopted. For example, the third party due diligence and some additional communications and educations to employees.

The board of directors have changed dramatically in the last six months. The new members are part of a private equity board, and rather than focusing on compliance they are more focused on the business to survive in the future. It does not mean that they are not ethical, however they are not as supportive as the past board of directors. Employees maybe do not have the insight of compliance that the compliance department have. Recently, there have not been neither communication related to compliance and ethics, nor ethics training. Now, compliance in the company is getting to a level where a lot of companies have their compliance programme. The budget is being cut, because is consider as a “cost centre” because it does not generate income.

Organisational cultural

The compliance programme influences the organisational culture. The example in my organisation is that we adopted integrity as part of our values.

Employees

It is hard to determine if the compliance programme influences the turnover in our organisation. Right now, in the organisation, the employees are not happy with the organisation for the way management is making decisions.

Compliance Programmes influence the retention of people, most people are ethical and for them it is important that their values align with the company's values. If there is no compliance programme, the employees do not have a tangible option to see what are the values and guidelines.

Strategy

Definitely, the compliance programmes support the strategy. For example, in my organisation when we are looking for new markets, we support the process of the strategy, understanding the risk, making research about the countries and identifying potential issues that may arise and to look for measures to mitigate those risks.

Internal processes

Our organisation does not have an integrated system. There are many systems across the globe, for example RH has several systems and you have to request information to several people in order to obtain it. Moreover, some people present the reports in spreadsheets. We are behind about the trend in technology. Ethics and compliance system are not fully automated and sometimes it is hard to handle due to the lack of integration in system. People from the business may think that ethics and compliance is making things slow. There are some processes that we automated like the training, FCPA due diligence and reporting system.

Some employees have been doing business for years without performing specific compliance activities such as: restricted party screening or third party due diligence and it is hard for them to accept it as their responsibility now to do it; sometimes it could represent a challenge to convince them to do it and understand why, sometimes people do not like change. Even that our organisation has more than 180 years, the compliance programme was not implemented until the 1990s. At the beginning, the programme was just a "check list" requirement, until 5 years ago when the executives decided to

implement the compliance programme properly with all the policies and procedures that we currently have.

Financial Performance

If you're an ethical company, you are going to be more sustainable and the customers would want to do business with you. If you have a violation reported in the news, companies do not want do business with you.

Overall, our company's employees understand how important is the compliance programme, and that they have to do the due diligence for third parties. Not doing due diligence can lead to adverse consequences if a third party is corrupted. Reputation is everything.

Customers

We had a client in an international location in the Asian region and is related to the customs process. In the country where the client was located, the culture was that the authorities look for minimal errors in the formats and documents in order to ask for bribes and clear the documents. The problem in the documentation of this client was with the shipment. Due to some errors, the client made "a payment" to clear the shipment and import rather than ask for the correction of the document and after that they wanted to transfer that cost to our organisation. We said that we are not going to pay. With that issue, we realised that we have some clients that operate out of our standards and they might assume that we will operate in the same unethical way.

Positive side is that the person who realised about this issue was an account payable employee who received the anti-corruption training and rose the concern. The description in the invoice was very vague. People in the company are able to identify when something is wrong.

Sometimes clients want to do what they want. But in this case, the organisation is not going to pay for those bribes.

Suppliers

The majority of our suppliers in the western part that are big companies already have compliance programmes, and they share the same values.

The greatest impact on suppliers is with smallest and local suppliers and suppliers that are located in markets in which compliance is not the norm. We provide necessary education to the suppliers. First, we have to be clear that we are not questioning their integrity and we explain that it is the way we do business and we are ensuring that they are comply with the standards that we require. When suppliers take the training, it helps them to realise how ethics is important for us and that corruption is causing a bad effect on the entire world. By not paying bribes, not participating in illegal activities related to public bidding, there can be a positive impact. They are aware of our hotline to report. However, I am not sure about the impact that the training has over them to perform business not related to our organisation.

Initially it was hard for them, because they have to go to the training and learn new things about compliance, as well as sign contracts with clauses related to compliance indicating what we expected. Some of them took it in a good way and others pushed back. The ones who pushed back are no longer our business partners. As well, in some “high risk” countries, there are some suppliers that act with high integrity and they share with you the reality of how business is doing in those countries.

Rivals

I think our compliance programme influences very minimally to our competitors. The companies in our industry are in the same boat, they have their compliance programmes. There is no difference for them.

Investors

It influences them a lot. If we have an ethical violation, it would have a negative impact on the shareholders and they will be very angry.

Community

Yes, because we are not making any facilitating payment, we are not increasing the corruption. Also, the education that we provide to our employees is being taken to their families and to the community. We are making an impact in the society and as a human being making society better for people.

Government

There has been no occasion to deal with the government for any type of misconduct or violation. We have a policy to not make any improper payments to the government.

In my previous experience, in a company of cruises, specifically in the region of Indonesia, in order to assure the operation, the company used to pay more than a 1 million dollars on facilitating payments that entered in the economy. After a compliance programme was introduced, the organisation decreased the payments. The government started to pressure the organisation to continue with the payments, however the organisation did not make the payment, the situation was not easy to handle, but the payments stopped.

Interview 5.

Interviewee: Compliance Officer (3)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and Image

Based on my experience in the financial sector, I would say that compliance programme has helped the brand and image of the organisation where I was working.

There are two types of compliance programme that help the brand and the image. The first, the result of a major public fine, for example fine imposed by the US authorities to the banks in the past 20 years. There was lot of publicity about how the organisation was wrong and made illegal and immoral mistake and the remediation programme that has been putting in place, it is a public one and there is no doubt in my mind that it is a

part of the remedial programme. The announcement of the actions of the programme has helped the image of the organisation, to tell to the outside world that they have fixed the problems of the past and are better and more compliant bank that you can trust upon.

The second, compliance programme is not so public and has not received so much press coverage. When a number of UK institutions were fined by the US authorities, there was a lot a press coverage, but also there are several banks that implement compliance programmes that do not get the same publicity. Nevertheless, the senior management at the bank have used the fact that there is a big compliance programme to actually change some of the mission statements at the bank. The bank in which I work at the moment, the information available on the website and the information in the annual accounts (annual report) talks about integrity and trust, which is a big selling point for the institution to attract customers and bring business to the organisation.

There is doubt that compliance programmes affect the image of the organisation, because the outside world thinks that the bank is a better place to trust the business with.

Attitude of the board and organisational culture

From the top of institution, the message is to support for a particular compliance programme. This will make executives more commit to provide more time, effort, energy to implementing a compliance programme and make it successful.

To have integrity in the mission statement of the institution is relevant. You cannot see a compliance programme implemented if they have not senior management support, but you have to make the assumption that the senior executives and the committees overseeing and visiting the teams in the operations, make people to put more attention and effort, and to get tasks completed in high quality and on time.

Employees

I think that compliance programmes influence employees at different levels. At a senior level, if it is major compliance programme which is across the organisation, support at the board and probably with the regulator having visibility, is what attracts executives to run the compliance programme. If it is a person outside of the compliance programme, I am not sure that they will be attracted. In my experience, having some big words about compliance, integrity and good conduct in the bank mission statement would make the best people look favourably towards the institution.

At lower down levels, particularly talking about compliance employees, the compliance programme offers them a lot of professional opportunities, and will attract people with expertise to contribute to that programme. In the business area, among junior employees, I suspected there is no effect to attract employees or helping with retention. The other way around, a good compliance programme will help to ward off some people who are not committed to being compliant and working with integrity and operating with good conduct. If an organisation has a reputation for a strong compliance programme and strong morality, it will drive employees to share those views.

Strategy

In the case of the bank where I am working at the moment, it does help the strategy because, in the current world, we have a lot of examples of bad practices whether it is a financial crime failure, trials for labour, manipulations on indeed things that happened in 2008 financial crash, financial institutions do not have a good reputation. In order to be able to state as part of its strategy that the bank has a strong compliance culture to attract clients, strong compliance programme, I think is helpful for an overall bank strategy. You have to make the assumption that the strategy is to grow the business, and get more and good clients. Nowadays there is no doubt about the visibility of strong compliance programmes and that is something that will appear when people try to get clients.

Internal processes

Compliance programmes affect the internal processes by fixing things that were wrong, and by making processes more efficient (including automation). For example,

throughout the life of a client in the organisational compliance programmes, they can make processes much better, they can improve the situations. Some examples of the processes in where there is an impact are: the on boarding of a client, the due diligence which is required to on board a client, can be done efficiently and automatically, it is a much better client experience, but is also a much better compliance experience, because you get all the information required to make a better decision about clients. Secondly, the ongoing knowledge of the client and the re-certification. If the compliance programme has implemented good systems, that monitor the ownership of the client, work of the directorship is easier because it is automated and causes less interruption to the client, and also helps the firm to manage risk, because they are able to monitor changes to the clients efficiently and reconsider the risk of that relationship. Implementing efficient processes through a compliance programme, it will help the organisation to protect from sanctions and identify suspicious activities of clients effectively that may be part of financial crime.

If you have an effective training, as part of the compliance programme, you get employees that understand the risk and what they have to do. You have good management information, to help you to manage the risk. A good compliance programme will no doubt, improve internal processes, make you more compliant and efficient and help the organisation to manage its risk more effectively.

Financial Performance

Compliance programmes impact the financial performance in a number of ways. A major compliance programme will be very expensive, provide additional cost to the organisations and hit the bottom line.

A fine affects the organisation; to fix what is wrong is going to cost a lot of money. There are benefits of the programme, if you can make processes more efficient as a result of the compliance programme, you would save money in the medium to long-term.

Something that is more complex to measure is the reputation for good compliance. If you have publicity material that place the compliance and integrity and good conduct as priority, there is no doubt that encourages new clients to come to the organisation and existing clients to stay.

If there is a fraud affecting the bank because a deficiency is in the processes, the impact it causes is easy to quantify in monetary terms. For example, if we are losing 5 million per month because of a particular weakness and if you go to a board and tell them that you want 3 million to fix this, the committee will approve it. In the case of other type of compliance like AML and Anticorruption, it is much more difficult to quantify what will you save or what you will really prevent. It is very hard to tell the committees that it is relevant to invest in compliance programmes if there is no quantified impact. Sometimes it is frustrating, the arguments that I give them is that the investment will keep the regulators away from the organisation and the cost of the potential investigation and prosecution will be higher than the investment. Sometimes the committee decides to take the risk and see if the regulator comes in. This process is challenging.

Customers

If the compliance programme is designed to produce efficiencies as well as compliance with regulations, customers are happier, specifically in the on-boarding process, because if the processes are automated you are going to request less documentation to them and it has a positive effect on them. Potentially, there could be a negative impact, compliance programmes are meant to comply with regulations that can be annoying to a client, customers find it annoying that the banks have to ask so many questions about the background, if is a company then who are the directors, where they operate and so on, which is tedious for the client, but it must be done. Compliance programmes have an impact on the customers, even though they have to provide a lot of information, they will have more trust that the people with whom they are dealing with are honest employees who overall work for the benefit of the clients.

Suppliers

Compliance programmes have an impact on the suppliers. For example, advisors, lawyers and accountants will be required to help the organisation to run the compliance programme and its money that they will earn. There is a financial benefit for these clients.

For the rest of the suppliers there is an impact, because they have to go through a due diligence process in order to evaluate if we want to work with them. In particular, due to the anti-bribery act 2010, due diligence, overseeing and controls over suppliers are required, as well as gifts and entertainments are controlled. Intermediaries to promote the products in the market or look for new business have to comply the due diligence and the amount of money that the organisation pays and why they can do on their behalf, and how to oversee that they are not breaking the anti-bribery act.

Competitors

In the past when I was working in a retail bank, there is no doubt that implementing a strong compliance programme tends to drive the bad clients to other banks. Specific example, the bank that I was working in implemented a particular control that the criminals who were using the typology of the bank accounts could not use our bank, the criminals went to other banks with weak compliance programmes. So for sure good compliance programme and reputation help you to drive off the bad clients to other institutions.

In the London financial institution industry, the members say that prevention is not a competitive issue between organisations, they will work together to make things better.

If a bank decided to stop doing business with a particular sector and close the bank accounts, those customers will go somewhere else, if it is particular risky sector for financial crime you are looking at another firm. For example, money service bureau has companies that help foreign nationals to send money back to their countries, one of the biggest UK clearing bank had a programme some years ago to redeem some accounts, and those had to go somewhere. There was a huge pressure from the UK government

for banks to open accounts for these people, some of them were sending money to Africa, but the account was open by other banks and were of high risk.

If a firm is in a modern world, where they are using machine learning and artificial intelligence to make their processes better, and the bank is advanced in that matter, the rivals will see them as an example from whom they can learn.

Investors

Have a look at the share prices of some major financial institutions before and after they were fined for sanctions bridges in particular. I do not know if the share price will crash immediately after the announcement, even if it did, the price will recover. In terms of a huge public institution, after a fine it may affect the view of the investors towards the organisation. The investors will realise that they do not have the money after the fines to be paid as dividend and that might negatively affect the price of the shares. But they see the impact on the loss of money but not about compliance, even though they are connected. Also, the vision and mission statements are what might make the organisation more attractive to investors.

Government

In major financial institutions, in particular those who are systemic to the national infrastructures. I think there is no doubt that government will be interested in the compliance programme, and how they are making it not fail. In financial crime, because of the interest in terrorism, money laundering and money move around the world by corrupt politicians, there is an interest of the government on the major institutions to ensure that they have a strong compliance programme to prevent financial crime in a country.

Society

I do not think the programme itself affects the society, but the results of it probably do to some extent. If you have a strong compliance programme and increase the defence against money laundering, financial crime and corruption, there is a change that you are

going to help society by taking criminals off the streets and helping the enforcement to arrest criminals.

Interview 6.

Interviewee: Compliance Officer (4)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and image

Compliance programmes impact the image of a company, in the case that an organisation is facing a problem and it is published in the media. For example, if a bank is giving facilitating payments, for sure it will impact the image of the bank negatively.

Organisational culture

I am not sure if compliance affects the organisational culture or if the organisational culture affects compliance. For sure both must be aligned, the more the business is aware of requirements, issues and fines that may be imposed by regulators, the more the culture improves, because the organisation is more focused.

Top management

I can definitely see a correlation between senior management and compliance programmes, if they are aware of the programme and encourage it, the rest of the organisation will follow them.

Employees

I don't see any correlation between employee engagement or turnover with compliance programmes. Maybe in extreme circumstances, for example in some institutions with compliance issues, people may say that they don't want to join, because they will have to work in the remediation and face all the issues.

Strategy

Compliance programmes don't affect the whole strategy. They impact specific geographical areas, in terms of investment and effort. For example, in Russia, due to the regulations and the requirements, the strategy in that region is affected.

Internal processes

Most of the staff has to be aware of the compliance programme and it will impact in one way or another. For example, in the compliance area, there are some changes in the on-boarding process, there are more requirements to verify a client, and also to monitor suspicious activity. Compliance programmes impact the relationship between areas, as they have to cooperate. For example, the compliance department within the on-boarding department and the investment. It also impacts in terms of investment; which products we can introduce. Moreover, other processes that are affected are the client relationships, marketing, and entertainment.

Financial performance

Definitely compliance programmes impact cost, assuming that the compliance programme is as it should be, it will imply a significant cost to implement controls, processes and the maintenance. However, non-compliance will have more impact on the profits and revenues. Additionally, it can impact with the loss of licences, and impose restrictions to operate or damage the reputation.

Customers

As the on-boarding process changes several times, we ask clients for more information and everything has to be provided by the client. Also, they are contacted to clarify specific transactions and understand it better. In general, I would say that compliance impacts the client experience, because sometimes the documents required were not mandatory at the time of on boarding.

The attitude of the customers varies. For example, the corporate clients are more aware of the changes and they don't push back and provide information. However, when we look at individual clients it is more difficult to obtain an answer to our request.

Suppliers

Compliance programmes affect suppliers, because we have additional requirements before we hire them. We have to verify that they are not sanctioned and there is no negative media publicity about them. We send questionnaires to the suppliers to fill with information, it is similar to the requirements sent to clients.

Competitors

Compliance programmes impact competitors also, and we have some meetings with our competitors and we discuss some topics. All of us try to adopt and follow similar controls and requirements.

Investors

They might be impacted in terms of the cost of the program and the returns of the organisation.

Society

In my organisation, there is no information that we disclose to the society. We just mentioned that we are archiving compliance, but there is no impact to the society.

Government

We have to respond to any request of the government, cooperate with them in terms of providing details about suspicious transactions and this only happens because it is required by law.

Interview 7.

Interviewee: Compliance Officer (5)

Interviewer: Leslick Castillo Flores

Main points commented:

In general, the Compliance Programme benefit the company integrity, it is the base to achieve ethics. Having a culture to do thing in the right way, can benefit the internal interaction with employees, and also, the external interaction with suppliers and society. Having a robust compliance programme allow to the company adopt an integrity culture.

Brand and Image

The compliance programme has a high impact in the reputation and in the business sustainability, if the organisations ensure a good conduct and do thing in the right way with it is translated as “confidence” towards customers, suppliers and community and it is what allows a run a company in a long-term.

Top Management

There is a total commitment from the board of directors towards the compliance programme. Compliance is achieved not only through the compliance department. It is achieved through leadership that helps to spread the programme to all parts of the company. In my organisation, the support from the directors and the CEO is high and the compliance topics are discussed in the meetings. The compliance department issue the guidelines, policies and procedures, after it are communicated to the directors, and them share it with their work teams. Without the commitment of the leaders, run a compliance programme would not be possible.

Organisational cultural

The compliance programme had highly influence on the organisational culture. The base of compliance is to establish policies and procedures, follow to communication and monitoring. The programme is like a cycle, in which we monitor that the policies and procedures are carried out properly, and take corrective measures in case to be necessary.

Ethics is personal choice. However, it is relevant that the organisation clearly identified to whom it is hiring. Establish procedures and guidelines help people to understand how

they should act in complex situations, and how they must report the situation. A confident environment should be built in order to allow people to report, sometimes people is afraid of retaliation or do not have a good relationship with their bosses, that is why is relevant to have confidential reporting mechanisms in which they can express. This is not an easy task and not always is achieved. However, organisations should establish those mechanisms in order to allow people to use them and help to reduce wrongdoing.

Employees

Organisations who are running a robust compliance programme require controls and several processes that employees could found complex to handle. However, in my experience, people feel proud to be working in a company in which they are doing right. Maybe other people who is also affected by the changes in process due to the programme required more information, for example customers or suppliers. But in general, people appreciate the processes and its part of our organisational culture, people prefer to work in a company in which the environment is respectful and transparent, rather than work in an unethical place.

Related to talent attraction, people who have a known person working in the organisation could be attracted by the ethic culture. However, our organisation is not in the consumer industry and it is not easy that people recognise our brand. After employees join to the company and see the guidelines and the programme, it is when they value them. People who is in the industry recognise our organisation as one who conducts with ethics.

Strategy

The compliance programme supports the sustainability of the business strategy, the fact that compliance work with the commercial, ensures that the business could be constant and permanent. Working with the commercial area, help to design a programme that benefits the final consumers and are aligned to the ethic codes internal and of the country and to be sustainable.

Internal processes

On a yearly basis, we performed an internal integrity culture survey, that aims to measure the leadership commitment, how comfortable is people to communicate concerns and how people live integrity. Moreover, the company has other surveys and indicators that measure other aspects of integrity. It has been noticed that these indicators help to enhance the processes and eliminate process that do not add value to the organization. Another way to measure is through the monitoring process of the compliance programme, in which we can evaluate if the process is being carried out properly or not and understand the root cause: maybe misunderstanding or human errors. The programme should be measure to determine if what we communicate is being carried out or not.

Financial Performance

The finance department measures the performance based on their rules. I expect the compliance programme has a good impact. The audits and monitoring process help to ensure that things are doing in the right way.

If an organisation does not have people who is solely dedicated to monitor that things are being carried out properly, or to improve what is being doing, it is difficult to comply with the current requirements from headquarters and authorities. Organisations require an area that get the updated and help the organisation to comply and do things how they should be. The investment in the compliance programme is rewarding.

Customers

Compliance programmes generate trust among the clients, the clients are secure that what we are promising as a company, is reliable, and they receive what we promised. Our organisation has limited interaction with the final clients, but we have an intermediary (the doctor- Note: it is in the pharmaceutical industry), who has to be sure that our products are having the effects that we promised, trust of the patient data, what generates a trustable relationship with the clients. If customers are getting the products from the government it is because we sold the products through a public

tender that was in compliance with the regulations, and our organisation won with integrity.

Suppliers

In some cases, they consider the organisation as very bureaucratic, due to several requirements. However, it is part of the trust in the relationship, in the agreements and the relationships with them is in long term and based on trust.

We secure that the suppliers have guidelines similar to our organisation, and that they have not been involved in a corruption case or other issues that can cause troubles and it is not who we want to work with, the relation have to be very transparent.

There are requirements that are mandatory for the suppliers, if they do not share all the information we cannot sign a contract with them. If a supplier is going to use sensitive data, they have to comply with all the regulations related to data privacy that also our organisation is comply with. We have to ensure that they are within the law. As part of the compliance programme, we train our suppliers who are going to carried out activities on our behalf, we want them to act with the same ethical standards that we expect from our employees.

Rivals

Compliance help to maintain a respectful relationship with the competitors and the industry, having very clearly where they can interact and where not. For example, they interact in chambers in order to enhance the practices in the pharmaceutical industry, it generates a respectful relationship.

Not always all companies want to adopt guidelines, our organisation work close to the ethic institutions for our sector in Mexico, in order to try all companies, adopt the guidelines, but sometimes some companies do not want. Companies like us, which headquarters are based in USA are aligned to the guidelines, other companies from Europe and India do not fully adopt the guidelines. The main thing is to be aware that having guidelines help you to build relationships that are trustable and sustainable with

the clients. Also is relevant the regulation that companies have to comply with, that is why USA companies have robust guidelines.

Investors

Reputation affects so much. One single act could cost millions of dollars. Our investors are interested in the audit results. Investor are not going to put their money in a company which is not honest and has no future.

Others

Compliance programmes in some sectors such as pharmaceutical, have help to other industries to adopt similar programmes and it is good. The pharmaceutical sector has learnt from their bad practices in the past and it is trying to change its image and becoming an example for other industries, Anti-corruption regulations require to adopt the compliance programmes, not only in an internal way but also take it to the community, clear rules affect the way to establish relationships with the government and you are going to oblige them to somehow to be transparent.

Interview 8.

Interviewee: Compliance Officer (6)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and Image

Sometimes organisations do not care about the brand and image, because they do not realise that bad practices could affect their image. The image is the most valuable asset for an organisation. The image could be impacted not only by the actions of the organisation but also by the actions of their business partners. For example, the case of VW related to the defeat software, when the issue was published, and even with limited information about the case, there was a negative effect on the image, the sales decreased and its shares plummeted.

Compliance could have a positive impact on the image. Some organisations that suffered a scandal related to corruption, have been working hard to re-establish a good image, through the implementation of compliance programmes in the organisation, for example Siemens, who took the problem very seriously and implement the anti-corruption compliance programme around the world, nowadays is an organisation that has leading practices in compliance, not only because of the problem but also to the change in the organisational culture, now the organisation is convince that employees and management must act with integrity and ethics. Compliance programmes help the organisations to act with integrity and not only as a requirement to comply with law, it is supported by other initiatives for example social corporate responsibility.

There has been a shift in the organisations from adopting compliance programmes as a corrective action and compliance with law to adopting it to prevent illegal acts, including corruption. For example, in Mexico, the leading bakery organisation called “Bimbo”, which is wholly owned by Mexican investment, has adopted compliance models and that had help the to expand to foreign countries, and has an image of being one of the most ethics organisations in Mexico.

Top Management

The key element to implement a compliance programme is the support received by the top management. It is essential that the board and top executives support the initiative of a compliance programme, the programme applies not only to employees but also to the top management. The board and top executives are the first ones that must adopt the compliance programme, because they are the main responsible of the effectiveness of the programme and they will be directly impact in the case of something goes wrong, there might be legal actions against the executives. That is why it is relevant that top Executives know the compliance program and be aware about the risk that non-compliance can represent for the organisation and for them, they should be the first ones to receive training and provide the example to the rest of the organisations.

In the past, some organisations that did not adopted a compliance programmes used to pay fines or sanctions as part of their regular business. After the implementation of compliance programmes, the organizations are not paying anymore fines or sanctions as part of the usual business, the aim of compliance programmes is not only complying with regulations but also to support the organisation strategy, that is why compliance programs are looking for the prevention of illegal acts and to reduce or avoid fines. The prevention is created by the design and implementation of new processes, controls and training to the personnel in order to know what to do.

Organisational culture

The compliance program should be part of the organisational culture. The ethic code in an organisation is the main guideline to communicate to the employees and management how thing must be done. Some organisations include the ethic code kits and compliance policies in their on-boarding for new employees at all levels. Additionally, organisations train new joiners to communicate the vision, mission, values and to transmit that the organisation has an ethical organisational culture. In Mexico, the business schools are not given lessons of ethics, and when students are graduated are not aware of ethic topics, that is why is relevant that organisations train new employees in ethics in the business.

Employees

The compliance programmes impact in the employee retention, for example when a graduated join to an organisation that has clear procedures, rules, controls, he/she receives the message of the internal culture and that there is a structure in the organisation in which he/she can launch their career, for some generations it is more relevant than others, for example the millennials are looking for an organisation that are social responsible and ethics tend to be more engage to the organisation.

Internal Processes

The compliance programs affect and internal processes and organisations. One of the key elements of the compliance programs is the risk assessment, which is the base to

develop the programme, that includes processes and controls. There are three phases of compliance:

Prevention: In this phase, the risks are managed in order to avoid any misconduct. It comprised the structure, the policies, procedures and controls. All these elements must be communicated to the organisation in order to understand the risk related to their activities.

Detection: In this phase, it is relevant to create a monitoring process in order to identify any irregular activity. Also, is relevant to Implement reporting channels such as Whistle-blower line, and compliance audits.

Making decision: If an issue was detected, it is important to identify the root cause and modify processes in order to close the gap and prevent it occurs again, additionally to apply the disciplinary actions.

Financial performance

If the compliance programmes do not have a positive impact in the financial performance of an organisation, some leading companies would have not adopted the compliance programme as a pillar of its development. It is good for investors to see that their investment is generating returns and it is safe. If business is based on illegal acts such as bribery, in the future is going to affect the finance of the organisation.

Some organisations are performing a due diligence to their business partners to know if they are acting with integrity, in the past it was only important to get the revenue, but nowadays it is also important to know how the business was generated. In the Anticorruption compliance programmes is relevant to perform this activity and applied in different deepness to their business partners, also is relevant to identify who is behind the transaction and if the people could be a politically exposed person.

Cost

The compliance programmes pay off. For example, if Siemens would have made an investment in a compliance programme some years before, it would have had to pay a huge fine.

In some of the organisations, in which I used to work, the operation department was used to pay fines for everything, when the compliance programme was implemented, it was carried out an analysis of why there were frequent payments of fines, the cause was due to a problem in one of the internal processes, it was fixed and as a result there were not more payments of fines for this cause, in the long term the cost of that fines could financing the position of the compliance department. Moreover, an organisation which pay bribes for a long time could be paying more for that concept, that the investment that may be doing in a compliance programme.

When the top management do not want to participate in the compliance initiatives, it is important to mention figures of how much does the organisation may pay in fines for corruption acts, and it could cost more than make the initial investment.

Other example of financial impact is that in several organisations there is a petty cash in different locations, those expenses tend to increment, in organisations without a compliance programme petty cash are not controlled in the way the money is being used, some expenses that were not included in the budget are obtained from the petty cash, in the case that a compliance programme is implemented, it can help to control this expenses and as well to verify that are not being used with other purposes. Financial audit does not identify this issue, because their scope is only to verify that the transaction was made. Another example, is the representation expenses, for example in one organisation I identified that the representation expenses in a specific location were the higher in the whole country even though the sales were low, this issue was obtained through the compliance audits, the issue was due to parties that were made in that location hosting the sales force of the organisation of the whole country, after the finding the expenses were better distributed and presented more accurately in the books and records, it also impacted in the forecast.

Compliance is to comply with all laws, including some that may appear not relevant, for instance, the environment regulations that may cause a future problem to the organisation if they are not comply with.

Customers

Compliance programmes may have an impact in clients. In some industries is more visible than in others, for example in the pharmaceutical industry, there are some medicines that must be controlled and that the customers must be identified by law. If organisations do not have controls, they might be selling the medicines to drug dealers, that is why is relevant to identified them.

In the automotive industry, there are some parts that might be used for the manufacturing of armament and organisations could selling that products and do not know what is the destiny of those products.

In order to identified these irregularities is relevant to perform a due diligence and identify the clients and to assess any risk related to their business, financial or reputation. "Know your Customers"

Suppliers

Also, it is relevant to perform the due diligence in suppliers and to know from where is your supplier obtaining raw material or resources, in order to identify risk and potential illegal acts and prevent the organisation to be involved in those activities." Know your provider".

Competitors

The compliance programmes have effect on the competitors mainly due to the antitrust regulations, to do not allow to divide the market and do not allow the free competition.

Society

There are some industries that are interacting more directly with the society, for example the building of pipelines, implies to use the land of rural community, and their heritage could be affected, that is why the processes must be treated carefully.

In my organisations, there is a European group of investors that are supported by a group a bank. These banks adopted the “Equator principles” that help organisations to determine, evaluate and manage the social and environmental risks of their projects. Compliance not only has to comply with laws but also with the principles, there are some evaluations of compliance of these principles before to realise the investment.

Government

Several local governments ask for a “donation” before start a business in a region, most of the time the request of the donation is in cash, in order to manage the risk of corruption it is relevant to have a compliance programme.

Interview 9.

Interviewee: Compliance Officer (7)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and image

From my experience compliance programs do not affect the image of organisation. Compliance programs are irrelevant for customers; it is an internal process. However, compliance programmes help to manage risk, including reputational.

Tone at the top / organisational culture

The attitude of top executives influences the compliance program at the moment of its implementation. There are other factors as well that impact the implementation, the first one is the attitude of the people, the culture of the company, compliance programs should not be seen as a project to be implement but as a change in the organisational culture, in order to achieve this is relevant to provide training to change a total mental

system of the whole organisation at all levels. The second factor, is clear rules in the organisation and train people to implement it correctly. The third factor It's learning from mistakes. And the last factor, is continuous self- improvement effort, the compliance programme is dynamic, and it should change as the environment change, the compliance program of three years ago cannot be applicable today. Overall the compliance program influences organisational culture.

Employees

I believe compliance programmes affect the way organizations attract talent. Talented people like compliance, however, some people do not like compliance and they will leave the organisation.

Strategy

The strategy of an organisation is not influenced by the compliance program, but it gets influenced by the implementation of the programme. The implementation could be slow and bureaucratic. Also, the strategy should not accept flexibility when we are talking about a compliance organisation.

Internal processes

The compliance programs affect the internal processes heavily, special the approval processes because it became multi-level and more complex, because in a compliance environment you need more approvals in order to ensure that nothing goes wrong.

The decision-making process is also becoming more complex, because the decision makers have to be sure that they are in compliance, in order to achieve it, they need legal opinions and legal advisors, and make it the decisions through consensus and this makes the process more complex. The processes become slower, complex and inflexible.

Financial performance

Compliance programmes affect financial performance in both sides, the first one is to reduce the risk of pay fines or other financial restrictions that could cause financial lose.

The second one is that they have a positive effect, having a compliance program allow you to do less things, for example the budget for the marketing department become smaller and the organisation do not spend so much.

Customers

I don't believe there is a direct link between compliance programmes and consumers, because they cannot see the problems, except for the companies who have governmental relations. The governmental bodies allow them easier and establish a business relationship, but it is irrelevant for the rest of the customers.

Suppliers

Compliance programmes affect suppliers because it implies that suppliers also have to comply with regulations, and the organisation will perform some reviews to the suppliers, commonly one time per year, it could be to review products or compliance audits.

Competitors

Compliance programmes effective initiations because they can lose bargain power because of less flexibility in the short-term within the long-term all the marketing practices are more sustainable, there is a disadvantage in the short term but an advantage in the long term.

Government

More governmental institutions want to communicate or have relations with organisations that have a compliance programme, especially those located in Western-Europe. Because, government try to avoid negative publicity, and they don't want to be connected with unethical practices or to have negative impact in the media.

Investors

In the last five years, investors are having more interest in compliance programmes because they know that compliance programmes support organisations to be more

sustainable, and they have less financial risk. investors are getting more aware of their compliance philosophy and concepts.

Society

The compliance programmes have a great impact in the society, they are helping Greece to have a more transparent society, to be fairer. Organisations who have compliance programmes are integrated of a group of people that will share the ethical principles in their environments and it will influence the society in an indirect way.

Interview 10.

Interviewee: Advisor (3)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and Image

The compliance programme has impact on the brand and image of the organisations, but depends on the industry. There are some industries that are in direct relation with the general public (consumers). In the financial services industry, the image could have a positive or negative impact on the image and they could quantify the impact that they might have. Also, the organisations that provide services to the government, the image of the organisations tend to have a positive or negative of how the general public perceive the organisation's image and they are the ones that criticize governments to hire particular organisations.

Some organisations have been affected in their image in the financial services industry, one international organisation have a negative impact on their image and that impacted their business size, and also the quality of clients, they got the clients that were not able to acquire financial services in other institutions.

There are some positive effects, for example some organisations obtain certifications or first the experienced a scandal and after they require to all suppliers and business partners to follow a specific protocol, when companies started to adopt those protocols create a “fame” among clients, governments, and third parties and this is becoming a virtuous cycle, because the business partners also assurance that they comply with those protocols. In an organisation in the retail industry require a large quantity of documentation before to start a relationship, and those business partners as well require to their supply chain to comply because they do not want to take risk to lose the client (if is a main vendor). They create a good image, that at the beginning may had been affected, but now the market recognised them as a good organisation.

In some industries such as: manufacturing, touristic, the organisations tend to capitalize the good image created with the compliance programmes with clients and suppliers, however, when organisations are in the consumer market it is more complex to determine the impact

Top Management

In Mexico, there is a figure denominated “comisionario” (commissioner), some regulators think that the auditor should not be the “comisionario” because of independence. The responsibilities of the executive board (consejo de administracion) is the maximum bodies in the organisations and it going to give the path of the organisation. If the top management is acting in an unethical way it is more likely that employees act in the same way, they are setting the “tone” of the organisation. In some organisations, the executive board allow to the top executives to make some acts in an unethical way in order to growth the business, thus the employees feel free to commit fraud to the organisations. They rationalize their attitude, because the organisation is acting as well with lack of ethics, the organisation defrauds the employees, tax

authorities, clients, suppliers, some organisations with their aggressive tax strategies and try to avoid taxes. Also, this affects the employee loyalty and the quality of the work that they are performing. If the committee take the compliance programme very seriously and implement a code of conduct that is respected by the whole organisation, thus the compliance attitude is permeated through the organisation and that they must act aligned to those principles, this is not only helping the organisation but also the society, the employees also act with ethics in their homes and with their families, and this bring benefits.

When committees are taking the compliance programme seriously, create more harmony in the organisations, they create the rules and rules are follow by the employees. The role of the Board, committees and top executives is vital because they give the tone to the rest of the organisation.

Employees

In my experience, the compliance programmes influence the employee turnover, when the organisation have an ethic compliance programme and is congruent, rules are clear and employees know what they can expect. In a population, 20% of the employees are willing to do not follow the rules, 20% to always follow the rules and 60% will act depends on the circumstances, in an organisation where the rules are clear and have a good compliance programme, controls, the majority of the employees that are willing to do not follow the rules are likely to leave the organisations, but when the programme is more mature the employees that remain in the organisation would be more loyal. Turnover could be affected by other factors such as salaries and another labour conditions. But if you have two organisations with similar conditions, one with relevant problems of ethics and the other in where the rules are written and you know what to expect, an employee would prefer to stay in that organisation that is more organised.

Strategy

The strategy of the organisation would contain what is going to be the growth, return on investment, among other. In order to plan the strategy, it should be evaluating the

risk of not achieve it, some organisations perform enterprise risk management. Some of those risks are associated with fraud, legal and compliance. An organisation of the financial sector that is ready to start the business, it has the capital, clients, etc. but if do not have the regulation compliance, It is likely that the authorities will close the business very soon or not obtain the license to open the business. In the strategy development, the risk must be evaluated and take the necessary actions to mitigate, in some organisations specific risk could be more likely to materialized than others, for example use of cash or that are less regulated for example finance vs construction. For the construction industry, the most relevant risk is fraud, due to the control of materials and cash payments.

Internal processes

Some organisations growth very quickly, and are administrated by the owners and has vision of what is happening and due to the volume of the transactions and you can have a control overall the organisation. When organisations start to growth you have to standardize processes and implement a compliance programme, the process of the implementation is very hard and complex, it is a change of culture, the new procedures can include to do activities that people should not perform before. For example, some processes that are affected are clients and vendors set up, it could be that organisation before the programme can add a new vendor or client within 10 minutes and with new standards could take more than 5 days. When this happens, tend to be disrupted for people who already was working in the organisation and it will take some time to adapt to the new processes and activities.

Also this processes could affect the clients, because the time of response it is more slow and it should be an adaptation, when compliance programmes are well implemented affected most of the processes.

Financial Performance

At the beginning the organisations have to try to maintain a balance between the business and compliance. Some information that is requested to the clients could be more bureaucratic and could cause a loss of business, however, it tend to become a

virtuous cycle, because the clients that are not helping to continue with the compliance programme may not be good for the company, for example, in the financial sector, if the client do not want to provide information, this may cause that the organisation increase risk of compliance and the client could be a defaulter and it may increase the cost of the processes. At the beginning some organisations may have to sacrifice volume, but at the medium and long term the organisations will have better clients and they will increase their confidence to the organisation, in some industries could be more noticeable, for example in services, maybe increasing the credits and enhancing relationships. Also helps to decrease loses, the compliance programmes help to filter clients, sometimes having more clients help in the top line, but not in the bottom, bad clients increase their debt or do not pay, maybe the compliance programme does not have a direct impact in the growth of sales, however it helps to make processes more efficient and have better clients and the cost would be decrease.

The compliance programme is an investment, is going to help to the organisations to be more organised and to have a good image, as well as to prevent fines.

There is a study related to anti money laundering 2014, in which leading companies from the financial sector indicated that every year they spend in compliance programmes a significant amount. The main component that they are investing in is systems, every year the investment increase in 50%, due to changes in the business and the growth some systems could be absolute after some time and it requires a new investment, there are some companies that would like to invest your money in systems. additionally, the organization should invest in human resources, they require compliance officers, and additional requirements from different legislations, for example, two years ago in Spain It was passed the criminal responsibility of societies, Even that some organisations had a compliance programme due to new regulations this programs do not comply with the requirements made by the Spanish legislation, thus organization had to hire lawyers to

help them to implement the new requirements. This situation is currently happening in different countries, including Mexico.

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The compliance programmes investment is difficult to quantify because it is an expenditure that you are not able to amortize in some years however you need it who runs the organisation.

Customers

The compliance programme has impact in external stakeholders such as customers there are some customers that might be happy with the implementation of compliance Programme, and others will be annoyed because of the programme in this situation the company has to balance the business and the compliance. Deciding if they want to maintain those customers. When they anti money laundering law was passed in Mexico a client in the Armour sector, the organisation didn't want to implement a compliance programme, it was looking for strategies to avoid the regulations and to run the business as usual without identify the client and accept any type of payment. In this industry, the

customers don't want to be identified and the organisation may be affected because of the relation with this type of clients.

Another case could be in the retail sector, when clients want what to acquire gift cards in a high volume they don't want to be identify.

Other example could be people who cannot access to financial services, because they don't want to be identify and comply with the regulations and Compliance programs.

Suppliers

Compliance programs impact directly to suppliers, in any compliance programme one of the key components is to identify with who are you doing business. Lack of compliance programs cannot allow you to identify if there are risks related to conflict of interest between employees and suppliers. Additional information could be used to determine if the organisation is financially stable and if it has the capacity to deliver the services or if an organisation is the only provider. these are some of the risk that could be identify through the due diligence process.

Also, compliance programs affect the supply chain. for example, in several organisations with leading compliance practices it is required do all vendors to present various documents in order to be accepted as an official supplier. Most of these requirements are related to the compliance program, as part of the due diligence process. As a result, these suppliers asked to their suppliers to comply as well with a due diligence, in this example we can observe that compliance programmes also impact the entire supply chain. This helps to the economy creating a virtuous cycle.

Competitors

Definitely compliance programmes effect the competitors, this is one of the main reasons of the creation of the FCPA law, when two organisations want to expand their businesses to another country, the conditions to make business sometimes we're not fair, due to earlier competitive advantage, providing bribes to local governments. Compliance programmes help to level the ground for fair competition, this is possible

when enforcement is applied. The cost for those who didn't adopt a compliance program and made illegal payments would be very high, not only the cost of the fines, but also the cost of the remediation programme, consultants, lawyers and other implications. Having a compliance program could represent medium or long-term competitive advantage, sometimes the results are not tangible immediately.

Investors

Compliance programmes relevant for investors. Investors are looking for higher returns, and there are different types of investors. There are some that only want to have high returns in a short term, and it's likely that this type of investments has a higher risk and potential illegal activities. However, there are other types of investors that they are looking for good Returns but as well they are looking for good business cases and sustainability in their investments with a good administration. When investors are looking to invest in emerging economies, specifically investment funds, they perform a due diligence, that includes not only the financial value of the organisation but also the compliance with taxes and regulations. In order to evaluate the risk of the investments, and their sustainability of the business, in my experience I have seen some Investments cancelled due to the business is based on payment of bribes to government officials or traffic of influences, that is why is relevant for organisations to have a compliance programme, and as well to perform a due diligence before to acquire a new business or make a new investment.

Government

Compliance programmes is relevant in the relationship between the organisations and the government. in an international context, in some countries the government tend to maintain a better relationship with organisations that have Compliance programmes and a good image, is more likely that they are going to hire them as their providers, and they are not going to be in black lists. This is more likely to happen in a country where the enforcement is applicable, for example in the European Union, but also there are other countries in which the government is careless about compliance programmes, for

example in Venezuela where the government used to maintain blacklist base on the relationship of the owners and the president. in governments like this one, there is an incentive to do illegal acts.

Interview 11.

Interviewee: Compliance Officer (8)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and Image

In my experience working in a financial institution made me realised that the implementation of a compliance programme is very complex in a culture where the business is made not with a compliance approach, and it is hard to change the culture.

One of the main changes in the organisations, was in the commercial area, one of the changes was the way to determine and pay incentives to the force sales, instead of compensating them based on the number of new clients or revenue (does not matter the equality), the compensation was based on the completeness and accurateness of the client's information and to justify that the product is something that really solve the needs of the client. This represented a high impact change in the institution, from a traditional bank model to a new strategy to create a better quality of clients and to adopt leading practices around the globe, in some of the territories, the compliance programme of the bank exceeds the regulation requirements. The management was aware that the change will impact the business in the short and long term.

Another change was the implementation of the hospitalities and entertainment policies, before it was allowing to provide some gifts to attract clients (such as iPad, phones or expensive meals, etc.), but after the implementation of the programme, there was a restriction and the sales force was only allowed to use promotional material (pens, notebooks, etc.). The preliminary reactions of the sales force it was that the new model did not help them to increase sales and that the other competitors have an advantage because they continue with the practices of providing gifts and this bank not.

With all the changes, the organisation aimed to create a position in the market in which its sales force was recognised for having high ethics standards and good practices. The immediate effect was the sales decrease, but at the medium term, the goals are getting achieved. Other aim in the long term of the compliance programme for the bank it was to increase the loyalty of the clients. If the client perceived that the sales representatives, by offering them a product that is suitable and covers their needs, it is more likely that they will want to continue the business relationship in the future.

Competitors

The implementation of the compliance programme as well aimed to make changes in the dynamic of the market, showing to the competitors that there are other ways to make business, and some of their current strategies (provide gifts to obtain business) in the long term do not bring the best results for their organisations. The competitor's awareness of the benefits of the ethical practices take a long time, and initially could appear a disadvantage but in the long term could help to have a better business.

Top Management

The top management influence the effectiveness of the compliance programme. In most of the cases, employees follow the example of what their immediate boss make and what the top management do.

In SMEs the culture could be different, and the employees are regulated by an ethical code, however the top management and the board could be following other rules. It is important that the ethical standards and codes apply to the whole organisation at all levels.

The compliance programme should have a genuine "sponsorship" from the top management, it is not enough that the top management say that they support the compliance programme, they have to do it by conviction not only in the implementation but also for the day to day. The employees will realise if the top management is committed to the compliance programme and they will follow or not.

Also, the compliance programme should have to be applied at all levels of the organisation without exception. However, in some SMEs where the shareholders have the role of the administrators, he/she wants to have different rules that applies to them, due to the lack of institutionalization.

Employees

The employees want to work in a transparent environment where the rules are clear and if there is any misconduct it causes consequences. If two people of different hierarchy made an action that generates a sanction, both sanctions should be the same. The employees will have the message that the rules and actions in the organisation are fair, and people feel happier and comfortable to work in that environment, as well, some employees may decide to leave due to their practices and values are not aligned with the organisation values and practices. The compliance programmes help to create the culture and environment of ethics and may help the organisation to increase employee engagement and reduce the turnover. For some generations, it is more relevant than others, for example people who just get graduated and is looking for their first job, they may be looking for an organisation that has a good ethic and fair environment, this will help to the organisation to be more attractive and to have more opportunities to attract talent.

Strategy

It is relevant to align the strategy of the organisation and the compliance programmes, the strategy and the compliance programme should be interrelated. The aim of the compliance programme is creating clear rules and clear expectations within the organisations and that helps to the achievement of the strategy.

Internal Processes

The compliance programmes affected the internal processes, like I mentioned in the first part of the interview.

A compliance programme implies a change in culture and from practices that might not be the best for the organisation. For example, when in the bank the entertainment policy was realised the sales force mentioned that it was good to have clear rules of what they can do and the limits. However, the clients, in specific governmental, were asking for benefits (gifts), because other bank offered to one of the decision makers a car. Hence, in the short term when the compliance programme is implemented, the impact might be a decrease in sales and people who operates with the new rules will have to face new challenges to adapt and to transmit the change to the external parties, in this case, the clients. The compliance programme has an impact in the person, in the operation, but in the medium to long term will help to have better clients. One of the challenges of the compliance programme is to create awareness in the employees and the person who is operating the new rules should understand the impact (risk) of their actions for the whole organisations. Sales in which the bank might pay a bribe could cause a huge damage to the organisation (fines and reputation). However, some markets are more challenging due to the culture, for example sales to governments. Some organisations may decide to provide some bribes to the government and increment the price in order to do not be affected. In public procurements, there is a high level of corruption, due to there is no a specific victim.

Implement a compliance programme in an organisation could take a lot of time, because is a culture change and at the beginning people may not accept new processes, but after a time the processes are stabilize and people understand the need of compliance.

The enforcement is vital to convince organisations that they must adopt actions against corruption, and to obligate government official to do not accept or request bribes. However, this implies a change in culture and it would take several years.

Financial Performance

Most of the financial controllers are asking for the return on investment of the compliance programme, however it is complex to measure. From my perspective, I use the analogy of the compliance programme with an insurance. Compliance programmes

are an investment which impact is not going to be tangible unless you have a corruption issue. According to the ACFE, organisations loss between 5 to 6% of the sales due to financial crime, additionally to the penalties that the government can impose. Some governments have not understood that enforcement is a way to generate income to the government, that is why the DOJ and SEC enforcement in the United States is successful.

The challenge is to change the mind-set of the perception of a compliance programme, from just an “expense” to a potential saving in fines with some intangible benefits such as: Human Resources, organisational culture, better clients and suppliers, that the organisations have no indicators to measure its impact. For example, one indicator could be the cost of turnover, the challenge is to change the approach of how the organisation is appreciating a compliance programme and to create those indicators that allow to measure the impact in “monetary terms”.

Compliance programmes help organisations to manage risk and create controls to prevent corruption. Nowadays, some legislations that have an anti-corruption law indicate that compliance programmes could be useful as a factor that helps to mitigate fines, because the organisation will be able to demonstrate that they took all the required measures to prevent corruption, training their employees, implementing controls, communicating ethical standards, etc.

Compliance programmes help to reduce risk and if the risk is materialized, the compliance programme help you to reduce the fines that the prosecutors may impose to the organisations. The reputation damage as well could be reduced.

Government

The government started to realize about some benefits of working with organisations that do things in the right way and have compliance programmes, due to the reputation

impact as well for the government. Government institutions must start to change their practices to have benefits in the long term.

Nowadays some governmental institutions are encouraging organisations to implement a compliance programme. For example, Petroleos Mexicanos (PEMEX) is one of the biggest governmental institutions in Mexico and a couple of months ago issued a communication that indicates that all its suppliers should adopt a compliance programme.

Suppliers

There is one ISO certification related to adopt an anticorruption compliance programme, the ISO 37001. It is a matter of time, but organisations will start to request the certification to become a supplier and to obtain credit.

A multinational organisation in the automotive industry, implemented a technical assistance in its whole supply chain. The organisation decided to work with organisations that do things in the right way, the company asked to their suppliers to adopt a compliance programme and give them a time to designed and implement it. Also, they provided support and training in order to help suppliers to adopt the programme, this create a virtuous cycle, from one side the organisation decrease its corruption risk and also the supplier is benefited to develop the compliance programme and that suppliers also can present the programme as a plus for other clients.

Sector/ competitors

The suppliers that do not want to adopt the programme do not work with the organisation and it creates a reputation, in this case in the automotive industry.

Organisations want to do business in an environment where the rules are clear, where they do not have to do illegal acts like bribery. As well to influence the sector to adopt better practices that help to levelling the ground in order to have a fair competition and reduce the corruption.

Investors

An investor with two alternatives, would prefer to invest in an organisation that has a compliance programme, because that organisation will provide more certainty that things are going to be done in a good way and the returns will be sustainable.

A compliance programme, in a competitive environment, could be a differentiation. When investors want to acquire the organisation or to create a joint venture or other type of investment, they will be more attracted to invest in an organisation which has a compliance programme, due to the reputation risk and sanctions that an organisation without a programme could represent.

Society

In the past, it was important for an organisation to generate positive financial resources. Nowadays, it is not enough to generate revenues, but also how they get those revenues, maybe through corruption like some cases that have been published. For example, the organisation Odebrecht was close to stop operations due to the corruption scandal. Every time the expectations for the organisations are increasing, the society expects from them profits, but also how they get it.

Interview 12.

Interviewee: Advisor (4)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and image

Have a compliance programme in a multinational organisation it is relevant to Brand and has Impact in the reputation. However, in local and regional organizations in Latin America, having a compliance program is irrelevant, has no influence either for good or bad. In markets in Latin America are not mature enough to require to the organisations to have a compliance programme. In some countries, there is a lack of understanding of what is compliance, some people is not familiar with some basic concepts such as compliance officer, and the ones understand the concepts are likely to only related to financial organisations for anti-money laundering. I would say that the impact of a compliance program in the brand and image in an organisation depends on the context of where is establish and doing business. Currently there are 146 organisations that are listed in the Mexican stock market, these organisations are the ones who have the leading practices in the Mexican market. However, only 30% of them have compliance guidelines (compliance programmes), hence, the expectation of having a compliance programme in the rest of the organisations in Mexico are very low, it is going to take time to mature markets and increase enforcement, in Latin America, the country which has more enforcement and more open cases of corruption investigations is Brazil, however, it is far away from the efforts made by the US enforcement.

Top Executives

The attitude that the management can manifest towards a compliance programme can determine the successful of it. if the compliance programme was designed just to have a good image and not with the purpose to comply, it is very likely that it will be limited in its scope.

In my experience, independently of the support from the management towards the compliance program, There are some complex circumstances in organizations that can represent a challenge for the implementation of a compliance program even if the top management is supporting initiative, It is totally related to the dynamic of the organizations, the messages from the top management are not enough to convince

people to adopt the compliance programme, that is why it is required to create awareness among employees and a stakeholders of the importance and need of the compliance programmes In order to make it work.

Some authors have stressed the importance of the tone at the top in success of compliance programmes. However, in my experience I will say that relevant element but does not determine the successful of the compliance program.

From my perspective compliance programs have to allow to the organizations to do three main things: the first one identify risks compliance related to corruption, fraud. among others, the second one to mitigate those risks, and respond to those risks. based on these elements the compliance program is designed to modify conducts, and this is relevant because compliance programs are not designed to modify processes, systems or control. It is about to modify human conduct, sometimes people in charge of compliance programs have no idea about how the human conduct is working, and sometimes this Factor is not considered in the design of compliance programs.

Employees

An organisation that has a code of conduct and make an effort to maintain a good organisational environment in which individuals (employees) attached to the values of the organisation, creates that the employees feel identity with the organisation and become more engaged, but it does not be attributed to the compliance programme, Compliance programs are broader than training to employees about values and ethics, it may influence to some degree in the conduct of the individuals.

Other Factor to consider with employees is there generation, nowadays they Millennial generation is attracted to the organisations based on different factors to previous generations. It is my understanding that there is no evidence that compliance programmes help neither to increase the talent attraction nor to reduce employee turnover.

It could be the other side, organisations that suffered from scandals and did not have compliance programmes, could have as a consequence do not attract talent or retaining people, but is not happening, the examples are VW, Walmart and Siemens.

There is a collateral effect on employee engagement and retention, but there is not an effect-cause relation between them.

When we refer to the damage in the brand, we always mentioned the problems with multinational brands. However, in America Latina, almost 60% of the organisations are SMEs and the case is totally different to big organisations. In my experience i have seen, some local small companies that are suppliers of big organisations could have serious corruption problems, however, these fact does not affect neither their business cycle nor the mood of its employees.

Strategy

Compliance program must be supporting the business strategy, if a compliance program does not support the business model it is very likely that it won't work. The compliance program and the business practices in the organisations should be aligned. If this alignment doesn't exist it is possible that the compliance program looks for risk where there is no risk, or the other way round, to have a limited scope and do not cover the main risks. It is relevant to have a communication between what are the business practices and what the compliance programme want to pursue.

Internal processes

In organisations where a robust compliance programme was well implemented, i have seen that it has helped to modify conducts, attitudes, procedures in business cases. Organisations that are getting involved and start to identify the type of compliance risk that they may face, it has been interesting to notice the reaction of people, when they understand that the practices that they were performing in the past, could generate a reputation or legal risk. For example, organisations that suddenly are subject of the FCPA law, in when you explain that the practices that they were performing, such as provide gifts to government officials to continue with the contracts, can be classified as illegal

act and can have consequences not only for the organisation but also for them to be in the jail, after this the employee perspective change.

A compliance programme that make emphasis in the awareness towards employees, explaining the risk and making them more sensitive to the risk that they are exposed, it will have a good effect on the organisational culture and people will start to do task in a different way.

Individuals that start to be more aware of the risk implicit in non-compliance pass through different stages. First they do not believe that there is a risk, after they deny that the risk could happen, and after is a self- reflect about if what they are doing is good or bad and finally the stage of accept the changes. To achieve this changes in an organisation requires a lot of effort, investment and time. In order to achieve it, it is relevant to identify the formal and informal leaders and fist of all push them towards the changes, once they accept it, the organisation tend to move natural towards that changes.

Clients

There is an effect of compliance programs on the client who identify a specific language, organisational culture and rules in the organisations that have a compliance model, create an expectation that the business that they are doing with these organisations are going to be legal. This do not happen in all organisations that have a compliance programme, in order to have results it requires a lot of effort to communicate the message. For example, Siemens, clients who are the general public are likely to do not be aware about the corruption issue that they faced some years ago, but maybe larger clients could know about the issue.

Suppliers

Compliance program should impact on suppliers, it is not enough effort to perform due diligence, and to know who is who, but also is required to communicate and train them about your policies, processes, rules, and explain the way the organisation do business in order to maintain business relations. For example, and organisation that is leading in

technology in Mexico, is working with several start-ups to optimize the cost, however, those organisations do not have a compliance programme and they are in a position to do not adopt one, the technology organisation is having a dilemma on how to continue with the relationship. This case illustrates the scenario in which that there are some suppliers that are willing to provide services, however they are not willing to adopt your practices, and due to this, they can change the behaviour and the quality service and the relation could be impacted. However, compliance programmes must aspire to create a change in the supplier's attitude.

Competitors

Compliance programmes impacts the competitors, in Industries there are several factors that affect competition, in the case of compliance, if a competitor has a high influence in the sector and has adopted a compliance programme that has transparent and honest anti-corruption practices, could represent a company that has leading practices and could be used as a benchmark for the rest. However, if it is an industry where the players are corrupt and an organisation want to implement a compliance programme, the most likely is that that organisation won't survive, that is why it is important than in the enforcement process involve all the participants, not only the regulators. In general, compliance programmes impact the competitors, but depends on the industry and the practices adopted by that industry. For example, Walmart, in Mexico represent a significant percentage of the economy and in the retail sector, the fact that it adopts a compliance programme, creates an impact in the industry and modify the ways that they are doing business. In other scenario, in an industry where there are several participants, and just one that is not a big nor well-recognised adopted a compliance programme, it could be atypical case.

Investors

At the moment to make an investment or to acquire a new business. Investors are considering compliance as factor in the evaluation to invest, every time is becoming more relevant, Investors are looking for organisations that have in place an anti-corruption compliance program, comply with legislations and do not have a reputational

issue, in order to reduce risk of obtaining returns. ABC due diligence, 10 years ago used to be few, nowadays most of the investors are requiring it.

In the case of traditional investors, the attitude could be different and tend to be more permissive, the businesses are moving very fast, and there is a tendency that investors require the implementation of compliance programmes where the money is invested.

Community

The corruption issue is very relevant, in particular in Latin America, the fact that the organisations are making their effort to adopt compliance programmes are contributing to the general efforts to combat corruption. Some organisations, can have a compliance programme in paper and communicating to the community to have a good image, but in the fact they are doing business with questionable practices, for example, with aggressive taxes strategies to avoid to pay tax, it is not illegal not maybe it is not ethic. A compliance programme implies to adopt measures to practice business with ethics, not only to comply with the law. Also organisations that are joining to the integrity agreements of the world bank are helping to decrease the corruption issue around the world.

Government

The compliance programmes help to the regulators to take their role more serious. In Latin America, the fact that exist an increasing willingness that organisations adopt compliance programmes make that the counterparts in the government take more seriously their work of enforcement or monitoring. One case is the Antitrust compliance, in Mexico and Colombia, the regulators has been empowering and have applied their faculties in the investigations and sanctions, these is a result that organisations and the community pressured regulators to play their role and the answer for the regulators was positive, and also this must be the target for anti-corruption, anti- money laundering, and bullying.

There are some beneficiaries of the compliance programmes that sometimes are not visible, for example the environment, compliance programmes are starting to make

efforts in this topic and in the long run this could represent a significant impact on the environment.

Interview 13.

Interviewee: Advisor (5)

Interviewer: Leslick Castillo Flores

Main points commented:

Brand and image

The people in the organisation can impact the brand, actions of the individuals impact the brand. Sometimes are not the acts of the CEO, but it could be people who has a lower position and their actions in the market can impact the brand. For example, people who make a really bad mistake can contaminate the image of other areas or the whole organisation. If the CEO, publish in social media a message a bad message, it could affect the image of the whole organisation. The compliance program in an organisation applies to everybody to do things in the best way, compliance program help organisations to manage their reputation risk and protect the brand.

Top Executives

One of the key components of an effective compliance program is governance, overseeing and monitoring. If the board and the top management, are not asking questions about the effectiveness of the programme, that programme is not supported. Having the support and the monitoring at the top of the organisation is extremely important, if there is no overseeing, the employees will be monitoring themselves and this may be a problem of independence to make the correct decisions.

Organisational culture

It can impact the organisational culture in two ways, the first one it is an effective compliance programme can have a positive impact in the organisation. if it's not an

effective compliance program it could have a negative impact. Effective programs impact in the expectation of the employees on how management behave. If a compliance program is not effective, the organisation does not have communications with employees and only the compliance standards are only in paper but there is no action, people is going to feel that the program is not taking seriously and therefore they are going to do other things that are not in the policies or going against them.

Employees

If it is an ethical organisation and decide to do things in the right way with high level of standards it's going to attract and retain the best people, people generally want to work for ethical people. If in the first time in your position and you realise that your boss is not acting with integrity, it is likely that most people leave. There are some recent examples that compliance officers are leaving the organisations because they don't have the level of sponsorship from their management.

Strategy

When in an organisation one of the top priorities is doing things in the right way, that mean that the organisation is aiming to grow doing things in the right way, not by doing illegal act, nor making agreements with competitors or paying bribes. An effective compliance programme, impact in the way to set and strategy but also in the way to implement their strategy. Some organisations take compliance very seriously and make it part of their strategy.

Internal processes

A well-designed compliance program will have several components, one of them is the compliance policies and procedures, code of conduct and operational processes. Hence, compliance programmes impact in different financial processes, it can have a positive impact in those process if they are applied effectively. If it is not effective there is a risk of having a negative impact in the processes.

Financial performance

Effective compliance can have a positive impact in the bottom line, for example if compliance program is not implemented effectively, you run the risk of high failure in key business strategies in terms of fines and penalties, impacting the brand and the reputation. People in operations that are doing businesses in the day-to-day basis have a huge if they do bad things, in terms of government fines, penalties, debarment and so on.

The cost of managing compliance programmes is minimal compare to the magnitude of fines that an organisation can be pay for not having compliance and make a mistake, additional to inefficiencies, the main impact is in managing the risk of fines and debarment.

Customers

Compliance programmes help the organisation in the way that they do business. If the people at the bottom line that they are facing with consumers act unethically that can impact negatively in the organisation. They are the face of the organisation, if that face is looking unethically, unscrupulous, uncaring, demanding and negative that is what they consume consumers we'll see, is the same way than when attracting people, you attract consumers doing things in the right way, that means that you need an effective compliance programme and employees to act ethically.

Suppliers

Doing business in the right way means, do business the right way with everybody, including suppliers. The organisations request their suppliers and business partners also to adopt ethic principles in order to continue business relationships, and adapt their standards to do business with the ones in the organisation. Some suppliers adopt the business code of conduct of the organisation, if it is a big organisation they are asking to comply with all the elements of the compliance programme, if it is on a small supplier adapt the way that they do business, they have to adopt the key concepts of the compliance programmes and act ethically, in areas that the organisation consider there is a high risk they can increase to implement measures.

Competitors

It is not that compliance is contagious, but some of the best organisations want to have the best in class of everything, for example in talent, brand, image and compliance programme. They are doing gap assessment not only to cover the minimum requirements from the laws but also gap assessment against leading practices in the markets, they care of what competitors are doing.

If you asked to organisations 20 years ago, they would had said that compliance was a competitive disadvantage, but I think nowadays, the regulators are more focus on these topics and more organisations are starting to adopt these programmes and therefore it becomes a top priority. It is not a competitive advantage but is an added value for some markets.

Some sectors are more interested in having compliance programmes, in specific those that are highly regulated have more motivation, for example the financial sector and pharmaceutical sector. As well multinational organisations that have operation in foreign markets, not only in the United States, they are struggling more to implement compliance.

Investors

It has an indirect impact, if they have a negative reputation it can influence the financial performance. Organisations who have reputation issues, can have a negative impact in the prices of shares in the stock market. Investors are the victims of bad management.

Government

One of the key aspects of a compliance officer role is to keep the regulator happy, demonstrating that your compliance programme is effective, the regulators maintain better relations with those organisations that implemented compliance programmes and it reduces the probability to receive an audit from the regulators.

Society

A large global organisation that touches many consumers can benefit many people in the world. If they are not doing things in the right way they are impact lives. For example, organisation that pay bribes that could have a huge impact in the society, some services may not be provided or some services will be provided without ethics, having catastrophic results such as: the collapse of constructions, because of bad construction was agreed base on corruption and that cost some lives. However, if an organization has an effective compliance programme and act in the right way, can help to enhance society has a whole.