

An Inside-Out Perspective regarding Anti-Corruption and Compliance Activities within Multinationals

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I'm the guy who keeps the lights on around here.

-Siemens Canada sales employee

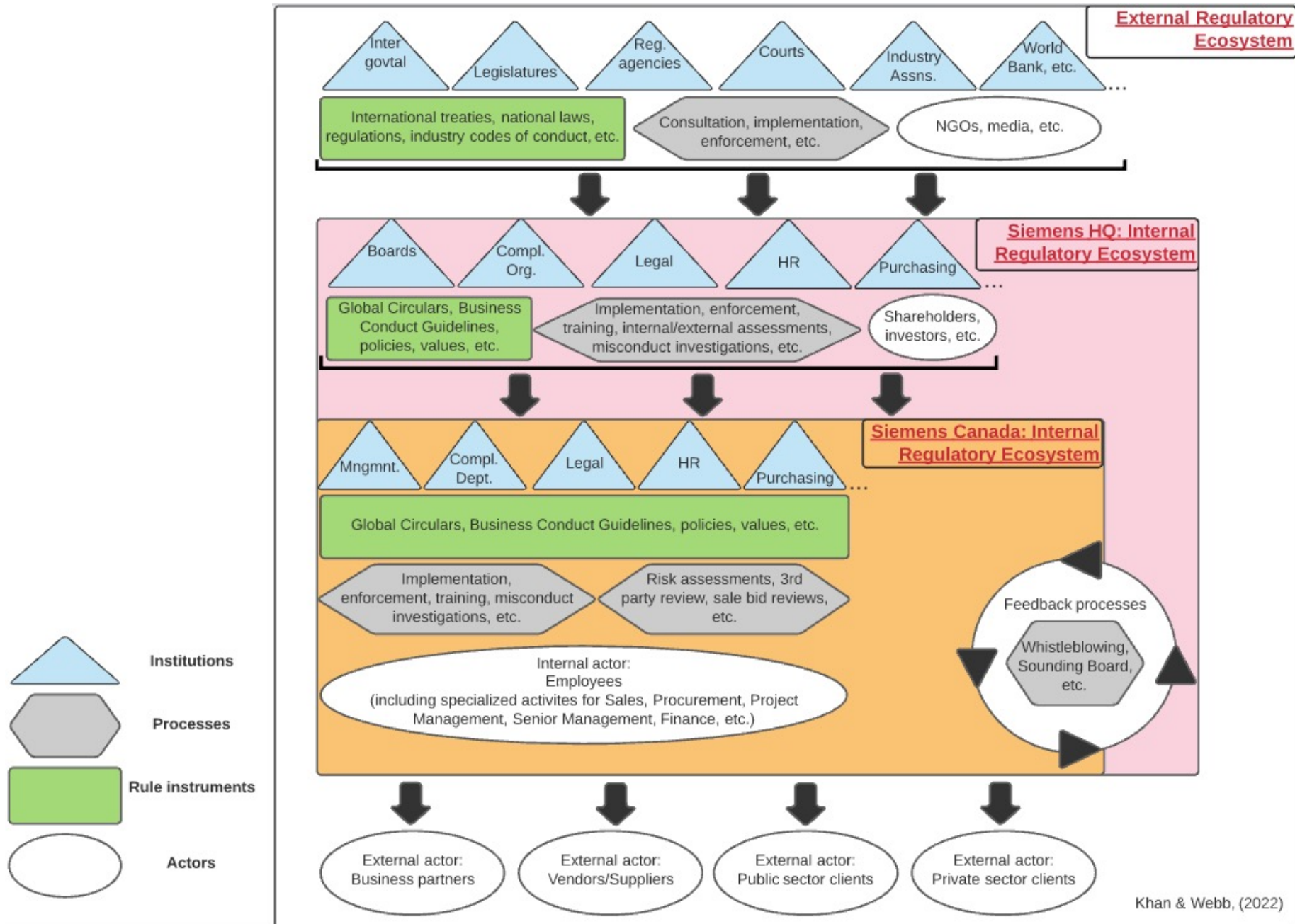
I'm the guy who keeps you out of trouble.

-Siemens Canada internal
regulatory employee

Basic message

- External regulatory ecosystem around companies has been comparatively well studied by scholars and practitioners, but it's useful to complement these studies with "within-the-firm" examinations of efforts to comply with laws and regulations.
- There is an ongoing struggle within companies between wealth creation side and internal regulatory side.
- Internal regulatory side provides guardrails for a business' wealth creation side.
- Remarkable similarities between activities of regulatory institutions, instruments, processes on the inside of the firm to those on the outside. This comes from Webb's work on sustainable governance.
- A company's internal regulatory ecosystem has the ongoing task of helping a company align with its external regulatory ecosystem by being aware of, translating & transposing external norms into operational realities within the firm. These "translations" vary from issue to issue, from one company to another, from one region to another, from one project to another, from one line of business to another.
- Within a profit-making enterprise, an internal regulatory function like a compliance unit is required to answer difficult questions on an ongoing basis, with each decision having tradeoffs. These questions include:
 - How do we reach employees? What message do we convey? (communication)
 - How do we balance wealth creation and internal regulatory priorities?
 - Where do we draw the line (enforcement aggressiveness)?
 - Who makes decisions (local autonomy vs. central authority)?
 - What role needs to be played to address a situation (enforcer, guide, investigator, coach, confidante, explorer, etc.)?
 - Where are the risks coming from (internal and external)?
 - What's working? What's not working? Where can we improve?

External & Internal Anti-corruption and Compliance Regulatory Ecosystem



Unintended consequences of multiple layers of internal regulation: an example

... if you have too many layers of approval ... those who sign off will have the tendency to think that 'I'm just one out of so many, so my risk here is shared' [thereby shirking their oversight responsibilities]. I think that's where we have to be a little bit careful in Siemens that we don't think that just by adding another signature on a piece of paper that you're more likely [to gain an additional level protection against risks] ...

... if ten people have to sign on the same document ... [then] at least nine other guys I will lean to and say 'but you signed as well', so ... that means that who likes the guy that likes to ... stand up and read and make sure that he can sign off? ...

- Siemens Canada senior sales official

Competing internal views – Sales vs. Regulatory

"I don't know how big the [compliance] stick needs to be. There needs to be some consequences ... Whether you need a Compliance Officer [to deliver them]... is a different question. But if the consequences are embedded at the CEO level, they'll work their way through the organization ... if you don't have the right culture you can get into trouble. But if you're selecting those people properly [at the top], do you really need somebody over here policing them?"

- Siemens Canada senior sales employee

For compliance efforts to be taken seriously and not considered an afterthought, employees should be able to "put a face" to compliance. Hence, compliance needs a "presence" ... "you can't just sit in the C-suite" ... there is value in having a specialized, dedicated group of compliance staff across the company who "own the topic" of compliance (e.g. a Compliance Officer)...

-Siemens Canada internal regulatory employee

Conclusion

- Studying “within-the-firm” efforts to comply with laws, regulations and, in general, social norms contributes towards better approaches to: public policy and organizational governance.
- Webb’s “institutions-rule instruments-processes-actors” sustainable governance typology is useful for: (1) studying external regulatory AND “within-the-firm” regulatory activities; (2) more in-depth examinations of broader topics.
- For example, compliance culture, integrity culture, compliance routines are the product of the interactions between internal and external institutions, rule instruments, processes and actors.
- How an internal regulatory ecosystem responds to external norms (e.g., bribery and corruption) depends on several factors, including:
 - Context (country environment, industry, institutions and actors, etc.)
 - Internal priorities (global and local // wealth creation and regulatory)
 - Evolving and differing views on the role of internal regulatory institutions and internal regulatory objectives as well as how to meet those objectives
 - Internal regulatory capacity, capabilities, mandate, and degree of independence

Supplementary Slides

Transparency International Canada: Corruption in Canada



