



Paper

Compliance Culture

Compliance, behavior, and culture at
businesses in regulated sectors

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“Wie risicovol gedrag in de organisatie wil voorkomen, moet begrijpen wat verschillende groepen intern beweegt” -
Femke de Vries, Dutch financial newspaper *Het Financieele Dagblad*, 13 October 2020

which roughly translates to:

“Anyone who wishes to prevent risky behavior in the organization must understand the underlying motivations of different groups of people”

1 Introduction

Ensuring that markets work well for people and businesses, now and in the future. That is the mission of the Netherlands Authority for Consumers and Markets (ACM). In that context, enforcing the rules is ACM's best-known duty. Yet, ensuring that markets work well entails more than just enforcing the rules in case of violations. In this paper, ACM will show how it interprets its mission, with the aid of a study into compliance and culture in organizations in sectors it regulates.

With this study, ACM shows how it applies behavioral insights to its methods and procedures. We would like to thank all businesses for their participation and openness, and for their reflections they shared with us about their regulatory relationship with ACM in the broader sense of the word. All of these aspects expand the knowledge of and about each other, and, in that way, help us realize our common goal of promoting compliance, not just now, but also in the future.

1.1 Behavioral science at ACM

Behavioral science is a relatively new discipline within oversight. ACM is one of several Dutch regulators that, since several years, have had a team within the organization dedicated to incorporating insights from, for example, psychology and behavioral economics in its activities. ACM's team of behavioral scientists focuses on, among other topics, the protection of consumers against misleading practices (online and offline), clarity and feasibility of rules for businesses, and the effects of behavior and organizational culture on compliance with the rules among businesses. In light of the latter topic, the team, in collaboration with businesses in regulated sectors, has carried out a study into compliance and organizational culture. This project, the methodology, and the results are explained in this paper in greater detail.

About the research methodology

This study focuses on ACM-related compliance among businesses, such as consumer protection, the Dutch Competition Act, and sector-specific regulations. To get an overview of compliance in these areas, we used three different research methodologies in order to be able to get a complete, reliable picture. A total of 439 employees of the four participating businesses filled out a questionnaire, giving anonymous answers to statements regarding how they perceived the organizational culture with regard to compliance. In order to be able to interpret these answers, behavioral scientists conducted a total of 33 interviews with employees from different parts of the participating organizations, ranging from compliance officers, staff from the audit department, administrative departments, strategic departments to members of the board. In order to get an overview of how these businesses set up their compliance systems on paper, 173 documents were handed over, which ACM analyzed in order to rate the businesses on the so-called compliance maturity scale. The insights presented in this article, supplemented by organization-specific insights, have been shared with the participating businesses.

2 Compliance, behavior, and culture at businesses in regulated sectors

Promoting compliance with the rules by setting up the compliance system and culture in a company efficiently and effectively offers society many benefits: it means businesses are able to compete fairly. Both businesses and consumers will then benefit. What determines whether a company can be compliant with the rules and regulations? In order to answer this question, ACM examined how four regulated companies from different sectors have set up their compliance systems. In order to get a complete picture, we looked not only at how these companies set up their compliance systems on paper ('instrumental'), but also at the role of employee behavior in real life ('culture') vis-à-vis compliance.

By gaining insight into contributing and mitigating factors, companies are able to prevent unintentional violations of the rules. It also helps compliance teams identify their blind spots (if any), and companies may be able to learn from each other's successful methods.

“Manuals alone will not get you anywhere. Is it clear who is responsible and when? If an incident occurs, who will step in front of a camera?”

excerpt from an interview with an employee of one of the participating companies.

With this study, we as regulator look beyond what businesses have written down about the design of their compliance systems. Attention for compliance behavior *in real life* is equally as important. On paper, compliance can be embedded in the organization as perfectly as possible, but, at the end of the day, it is about how

individuals in an organization behave in real life. On the other hand, by embedding compliance properly 'on paper', it can be made easier for individuals to exhibit the right behavior. That makes it more likely that people will actually comply with the rules. In order to be able to assess how regulated companies execute their social duty in practice, we should therefore look at the entire system, the full range of compliance with rules and regulations in practice.

2.1 Instrumental compliance: examples and pitfalls

In order to be actually able to comply with rules and regulations, it is essential to lay down procedures, strategies and policies within the organization. As a result, an organization is able to make it possible for employees to stick to the rules. We call this instrumental compliance. In that context, the creation of an independent compliance team is a logical first step. Another starting point for many businesses is to assign the responsibility for specific areas of compliance to the management or executive levels. In addition, it is critical to have in place a clear, overarching compliance policy, as well as a system for filing reports and complaints. If these are also monitored and evaluated on a regular basis (and adjusted, where necessary), instrumental compliance will move towards a mature stage.

The maturity of the instrumental compliance among the businesses included in this study has been determined using a model that is based on organizational-learning theories. In that process, the following instrument categories have been analyzed:

- **Compliance policy (and organizational structure)**

In what way is compliance formally embedded in the organization? What references to compliance are made in the corporate strategy? Does a separate compliance policy exist?

- **Communication and workshops**

Communication actions and workshops for specific areas of compliance: are these mandatory, offered repeatedly, and aimed at the target audience?

- **Compliance team**

Is there an internal compliance team? How big is it, what is the seniority of its members, what tasks does it carry out, and is there an independent mandate?

- **Complaint-handling and how reports are dealt with**

Is there a system for the registration, processing and tracking of complaints and reports? Do employees know where to go to? And are the right reports/complaints filed (or are they filed where they are supposed to be filed)?

- **Effectiveness and consequences**

What are the consequences of internal misconduct? Is a procedure (a transparent one) in place for such misconduct, and is this procedure applied in a consistent manner? How is the performance of the compliance system monitored and measured (what is the effectiveness of the compliance measures)?

- **Responsibility**

Who is responsible for compliance? How has this been embedded in the different layers of the organization? Is this sufficiently concrete, and how are people called to account?

On the basis of a standardized maturity model (figure 1), each instrument category has been placed in one of the following five maturity stages:

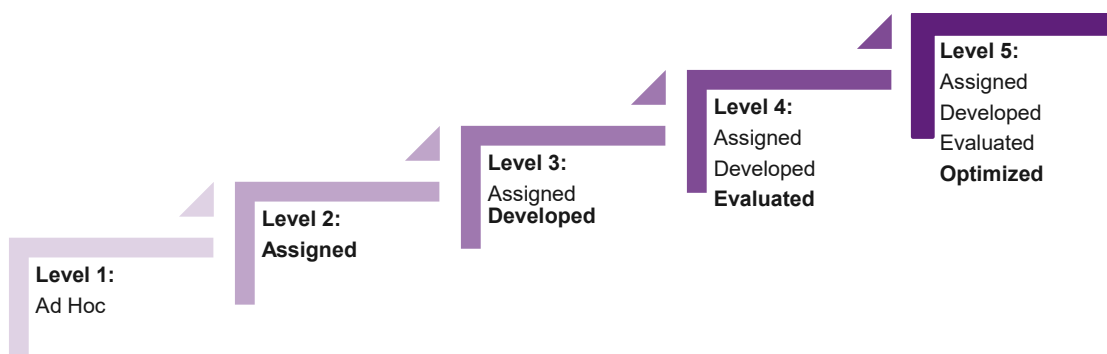


Figure 1. Maturity model for instrumental compliance.

Maturity scores on instrumental compliance



Figure 2. Average scores of participating companies (n=4) on instrumental compliance. Scores range from 1 (ad hoc) to 5 (optimized).

Figure 2 shows that the participating companies have, in general, sufficiently established processes, systems and documents in order to be able to be compliant. The trickiest elements are assigning responsibility and setting up complaints/report systems. On the other hand, communication and workshops have been, on average, placed higher. It cannot be concluded definitively that one company has set up its compliance instruments better than the other companies. If anything, we can see great variation: companies differ in what categories they excel. However, within the categories, too, there are differences with regard to what exactly has been organized in order to safeguard compliance. The below box describes a good example of clear communication with regard to managing employee expectations.

Examples of standard methods that virtually all participating companies have developed:

- Specific workshops about, for example, competition, tailored to the target audience,
- Sufficient seniority in the compliance team,
- Different channels for filing reports, which ultimately end up in one central location,
- At least three lines of defense in order to mitigate risks.

With regard to workshops, we also saw many individual elements that reappeared in different organizations, which can be regarded as good examples. When combined, they helped towards an optimal design of compliance workshops. These have been highlighted in the box below.



Optimal approach to compliance workshops:

Mandatory nature: Workshops are mandatory for all employees for whom the subject is relevant.

Frequency: Workshops are repeated each year to brush up one's knowledge or as a refresher course.

Specific workshops (customized): For certain complicated subjects it would be best to discuss these with a dedicated group of employees within a short space of time.

Real-life examples: Case studies and dilemma sessions often make the subject matter more accessible.

Evaluation: Quantitative *and* qualitative evaluation of the workshops helps make these more effective.

2.1.1 Instrumental compliance: best practices

All participating companies had various best practices with regard to the design of compliance instruments. Two examples and a case are explained in greater detail below.

Compliance team supplemented by mainline employees or higher management

The analysis reveals that, in some of the businesses in the study, the compliance teams bear much of the workload with regard to attention to and the implementation of compliance. This may come at the expense of the impact that the team is able to have. In another company, we saw how a relatively small team can still be effective by supplementing the compliance team with staff from different departments. As a result, these teams are able to make a greater impact: indirectly, capacity is increased, and there is a stronger connection to the individual departments. At least two businesses in the study use this method, which can have positive effects such as: a greater sense of responsibility within the departments, easier to find the right place to file reports, and improved risk assessments by the compliance team, because they have more knowledge of what goes on in the workplace.

Near Miss-analyses (learning from ‘almost incidents’)

One of the businesses in the study pays attention to Near Misses for the prevention of violations of sector-specific regulations or competition regulations. Discussing ‘Near Misses’ is a critical step in the prevention of violations of rules. Learning from incidents or almost incidents may provide insights about where possible blind spots may be in the compliance process, or in the organizational culture and whether or not these support each other. By analyzing ‘almost-incidents’ in a systematic manner, these ‘gaps’ in a process can be brought to light, even before any incidents have actually occurred.



Case: how one organization managed to come up with a practical interpretation of the rules

The code of conduct of one of the participating organizations contains a perfect example of how to make regulations tangible for people, and how they came up with a practical interpretation. Not only is the law explained in a concise and easy-to-understand manner, and is the objective explained, concrete cases and examples are also given about how individuals could encounter specific statutory requirements in real-life situations, and how one should act in those situations. Contact details of contact persons are also given if people wish to consult them about doubts or to ask them questions. And finally, clear dilemmas are presented, including dos & don'ts, phrased in terms of concrete behavior that is expected from employees (or not). Below is an example concerning the Dutch Competition Act:

Examples of situations where a statutory or corporate-governance code may be violated.

A customer asks for a document containing the plans of other customers about new, future products and/or services. Do you give this customer that document?

Answer to that example: How should the employee act in that situation?

No. You cannot give a customer such information, regardless of that customer's position. For if that document were given, that customer would then be in possession of critical information. It is possible that competition between our customers becomes distorted. That could harm consumers, and us as well.

2.1.2 Instrumental compliance: common pitfalls and risks

Besides the abovementioned best practices, there are also risks in the way businesses design their compliance systems. We discuss two examples below.

The board does not receive substantive training to the same degree as their staff does

Brushing up specific knowledge about rules and regulations can be useful and necessary even. Not all businesses provided their Boards with training in specific rules and regulations. This is a pitfall, as laws, too, can change, and brushing up one's knowledge is essential for the ability to comply with the rules as well as for the signal that it sends (tone at the top / leading by example).

No attention for psychological barriers to reporting

The opportunity to file a report is not a guarantee that employees will actually take advantage of that opportunity. They can, for example, experience psychological barriers to filing a report. After all, it is quite intense to report a violation committed by a co-worker, for example. The survey reveals that a group of employees genuinely hesitates: at one of the companies, 30% of employees even said they doubted whether reporting was useful. Insight into the reasons and barriers for not reporting can help in finding the right focus of the compliance program and communication. Think of finding out whether employees know how to file reports. Do they recognize what types of behavior they should report? Are they afraid? Do you doubt whether their anonymity can be guaranteed? Does it involve a lot of paperwork? Or do they think that their report will be taken seriously (or too seriously even)?



Case: how one organization managed to increase the number of reports

Enhancing the visibility and accessibility of the compliance department boosts the number of reports and questions about compliance, as revealed by efforts taken by one of the participating businesses. This company made a conscious effort to distance itself from the compliance department's reputation of being a police officer. They emphasized often that the department was independent, and was focused on improvement, and that reports were actually small presents, because they uncovered cases, which could then be addressed. That allows the organization to know what is going on, and, ideally, stops a 'tip-of-the-iceberg' situation from happening. They communicated that reports would be dealt with both at the individual level *and* the system/process level, and that confidentiality (anonymity) would be observed. They also introduced a general email address for the department, in addition to an email address for suspected abuses, as well as personal email addresses. And, next to the procedure on 'reporting suspected abuses' (whistleblower program), a simpler reporting procedure was created. Investigations are conducted by the compliance team itself, instead of outsourcing them, since external investigations are seen as threatening. They chose to communicate relevant information frequently on the intranet etc., providing recaps of projects and reports from the department (and not from individual employees). This recap is given from an organizational perspective as much as possible. An internal and an external website about the compliance department were created. In all communications, it is constantly emphasized that the team is open to questions and reports in order to, on the one hand, be able to take preventative action, and, on the other hand, to lower the barrier to report. In addition, the number of reports increased as a result of visits to the shop floor in order to raise awareness about the compliance department, to show one's face, and to promote the speak-up culture. Employees of the department, board members, co-workers from other departments etc. are informed and given training about these developments, thereby making filing reports more and more 'normal'.

2.2 What elements of organizational culture help boost compliance with the rules?

How does rule-compliant behavior emerge? In the previous chapter, we looked at the design of instrumental compliance, and how putting it down on paper properly is an important precondition for enabling employees to comply with the rules in real life. In addition, we see that the paper reality does not always correspond to the behavior of employees in the shop floor. After all, people are not computers that will give the exact, desired outcome as long as you just feed them with enough information. Behavior of employees is not always rational, and is shaped by, among other factors, various elements of organizational culture, the characteristics of the individual employee, and the influences of environmental factors.

Figure 3 lists the elements examined in this study that can help towards compliant behavior¹. Figure 4 subsequently shows how three of the four businesses in this study score on these elements².

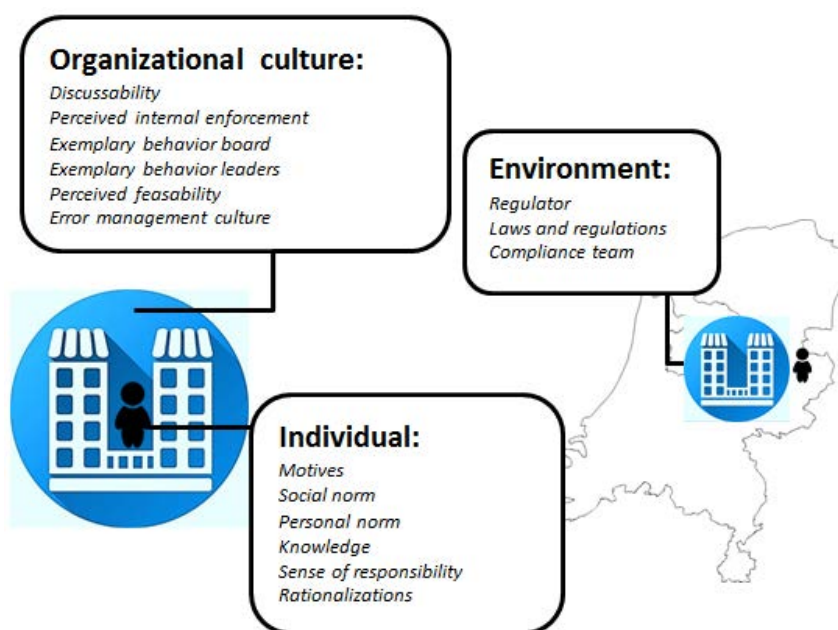


Figure 3. Factors that together can lead to compliant behavior (compliance), as measured in the study at hand³.

The model's 3 levels:

Factors that relate to the **individual**:

- What we find important (*personal norms*),
- What motivates an individual (*motivations*),
- What we experience as normal (*social norms*),
- Knowing what the rules are (*knowledge*),
- The tendency to 'justify' undesirable behavior (*rationalizations*),
- Other factors such as our sense of responsibility, time pressure, etc.

In addition, the **direct environment** (think of the organizational culture) obviously plays a role in compliant behavior. Do you feel free to speak up if you have doubts about something (discussability)? Do you feel that, in your organization, there are consequences if you commit (knowingly or not) a violation (internal enforcement)? And do you feel that you have the time and resources to be able to do your job honestly (feasibility)?

Also, the role of **external** enforcement (by the regulator, for example), the rules and regulations, and the position and attitude of a compliance team within organizations can be of influence on the propensity to stick to the rules.

¹ Based on studies of Kaptein (2008;2011), Wenzel (2004), Avolio (2010), among other studies.

² As a result of customization, the culture element of the study was reduced in three of the four businesses.

³ These are the most important measured culture elements from the survey.

2.2.1 Results of businesses in the study

The current study shows (I) the average scores of three of the four participating companies on these culture elements and (II) what the most crucial elements are for the promotion of compliance.

Average scores on culture elements

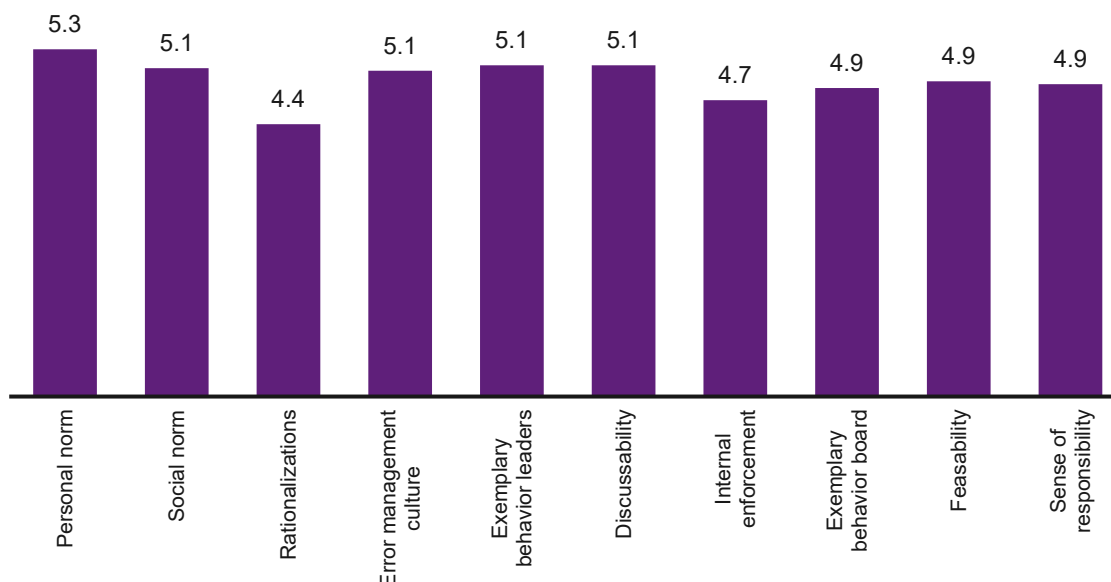


Figure 4. Average scores of participating companies on the cultural elements (measured on the basis of questionnaires among employees of three participating companies, on a scale from 1 to 6). ⁴

I. Average scores on the culture elements

In figure 4, it is shown that the companies have average to high scores on the culture elements. ACM has thus found that, in these companies, there is, on average, fertile soil for fostering compliance.

II. Most crucial culture elements for the promoting of compliance:

All culture elements are important for a positive compliance culture in companies. However, in individual sectors or even companies, a different combination of culture elements can be the deciding factor in the promotion of compliance. In order to identify these culture elements, we measured not only the various culture elements in the study's questionnaire, but also the estimated probability of compliance. To that end, we asked employees to give an estimate of the odds that their organization comply with the relevant rules over the next few years. In collaboration with VU Amsterdam university (VU), we performed a statistical analysis of this data. In that analysis, we examined which of the culture elements have a direct relationship with the estimated probability of compliance, such as: the higher the perceived internal enforcement is, the higher the estimated probability of compliance with the rules is. The results of this analysis have been presented in figure 5, and are subsequently explained in further detail. The statistical analysis reveals that, out of all measured culture

⁴ With regard to the cultural elements: the higher the scores, the better. Only with rationalizations would you obviously want as few rationalizations for violations as possible. For the sake of comparison, the score for rationalizations in this graph has been 're-scored', so that this element can also be read as: a higher score is better.

elements, three elements are the strongest predictors for compliance. These are (1) tone at the top, (2) perceived internal enforcement, and (3) error management culture. This is in line with previous scientific studies into ethical organizational culture⁵. In the markets that ACM regulates, this relationship has now been found for the first time. The results show that these elements can play a role in all kinds of markets and all forms of compliance behavior.

2.2.2 Perceived internal enforcement and error management culture go hand in hand

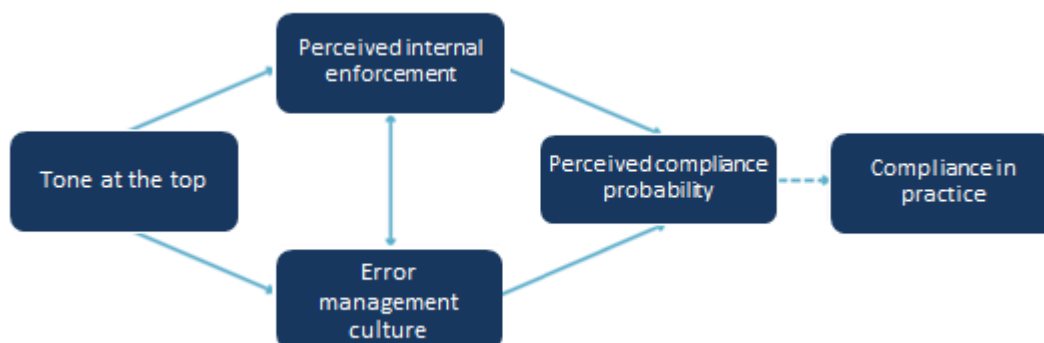


Figure 5. Pattern of how different cultural elements influence each other.

For promoting compliance, which works better: taking strict enforcement action against errors and violations or creating an error management culture? Boards, compliance officers, and regulators may have different opinions about what the most effective approach is: either primarily focusing on internal enforcement and deterrence, or creating as safe a culture as possible in which it is okay to make mistakes. However, on the basis of analyses of the questionnaire data, it turns out that both approaches not only have an impact on the propensity to comply, but also that these go hand in hand.

Both the perceived *internal enforcement* and an *error management culture* can promote compliance, although, at first glance, these elements seem polar opposites. The perceived *internal enforcement* is the idea among employees that behavior that is at odds with the rules will have consequences, regardless of your position in the organization. In this context, it is important that it is perceived by everyone that this happens in a just manner. On the other hand, an *error management culture* is about the climate in which people dare to admit mistakes, to share them, to analyze them, and to learn from them, as a result of which such mistakes will occur less frequently in the future. When creating a safe error management culture, it is important to make a distinction between intentional violations (fraud, misconduct) and unintentional violations (mistakes). The former category will not be tolerated, and will have consequences, whereas mistakes are there to learn from. With regard to unintentional violations, it is important to reflect on the causes thereof, to learn from them, and to prevent repeat violations. In short: internal enforcement is not diametrically opposed to an error management culture, but is actually an extension thereof.

Generally speaking, we see that, within the participating companies, a reasonable degree of internal enforcement and error management culture is perceived. In some situations, the internal enforcement is perceived as non-consistent or as unreasonable (for example, if employees at higher levels or more senior employees are treated differently than other employees). With regard to error management culture, the pitfall is to correct mistakes immediately or to improve procedures, while not properly examining the causes, and how this can be prevented in

⁵ Based on, among other studies, studies of Kaptein (2008;2011), Wenzel (2004), Avolio (2010).

the future. In practice, for example, we saw that, even though businesses scored relatively high on an error management culture in the surveys, employees were sometimes unable to explain in concrete terms how exactly the organization learns from mistakes and how their causes are analyzed.

2.2.3 Leading by example at the top level influences error management culture and internal enforcement

Companies that decide on the basis of the above results that they wish to promote an error management culture, and wish to make internal enforcement clearer and more visible, may wonder how they can do so. One answer to that question may lie in the culture element *leading by example (top level)*, also called *tone at the top*. This element is the extent to which the top of the company sends the message and makes it clear in its own actions that ethical conduct is important.

The study not only reveals that the participating companies score, on average, quite high on their *tone at the top* (see figure 4), but also, as seen in figure 5, that the example that a board sets as well as the message that a board conveys have an impact on the propensity to comply with the rules (*probability of compliance*), the extent to which employees feel there are consequences to their violations (*perceived internal enforcement*), as well as on the feeling of employees that mistakes can be shared (*error management culture*). As already mentioned, the participating companies score high on the culture element *tone at the top*. In discussions with employees of various companies, too, they appeared, in general, to be very positive about their boards. In that context, they said that their boards send a clear message ('tone at the top'), appear to be ethical, and succeed in inspiring their staff.

The fact that the way in which the top leads by example can make or break essential culture elements is a wonderful opportunity for compliance officers: through relatively simple interventions (such as emphasizing the importance of compliance in communications), the top is able to have a huge impact in terms of compliance behavior among employees. The compliance team can offer support by putting the topic on the agenda from time to time, and by reminding the top of its role.

2.3 Other finding: the pitfall of rationalizing one's own behavior

Figure 4 on page 11 shows the average scores of the participating companies on the various elements. There is one element on which all companies score relatively low: rationalizations. What are these, and how is this a pitfall for a healthy compliance culture?

Rationalizations for one's own behavior

Rationalizations are reasons that someone comes up with to justify their own behavior. Such excuses can present a risk for exhibiting ethical behavior. As long as someone is able to 'justify' their own behavior, if you will (for example, "complying with each and every law is just simply impossible"), that person will be more likely to exhibit unethical behavior. Rationalizations are very human. All individuals rationalize, but they differ in the degree to which they do so.

From the interviews and the questionnaire, it can be deduced that a propensity to comply can be found in an overwhelming majority of respondents. People want to comply. This is reflected in the high scores on sense of responsibility, and positive norms towards compliance. In addition, employees indicated in interviews that they find compliance normal ('it's a given', 'you just do that') or important. The culture element of rationalizations adds an

important nuance. Employees that are, in principle, strongly motivated to comply with rules and regulations can, in specific circumstances, still commit violations if the context offers opportunities to justify violations as permissible or an exception (rationalizations). In order to let the very valuable asset of motivated employees prosper, it is therefore important to offer as little room as possible for rationalizations to pop up and be used. That is still a blind spot, for the most part. That is why we encourage these and other businesses to experiment with interventions. More broadly speaking (in the scientific community or among consultancies), specific interventions have been developed, which could be used here⁶.

⁶ For example, see: Mulder, L. B., Jordan, J., & Rink, F. (2015). The effect of specific and general rules on ethical decisions. *Organizational Behavior and Human Decision Processes*, 126, 115-129.

3 Conclusions and recommendations

The objective of this study was to gain more insight into the compliance systems of four regulated companies, not just in terms of design (instrumental) but also in terms of the interplay between design and real-life behavior (culture). By sitting down with these companies and discussing the contributing factors to compliance culture, as well as other possible risks or blind spots with regard to ACM-related compliance, unintentional violations can be prevented.

Ensuring that everyone in the organization complies with the rules and regulations means that attention should be given to the entire system: what has been put down on paper with regard to compliance? What does the board say about compliance? What boundaries are set? Do people feel comfortable calling out others on their behavior?

The core insight gleaned from this study is that these regulated companies have set up their compliance systems at a significant maturity level as far as ACM-related compliance is concerned. On the other hand, pitfalls can also be identified such as not assigning responsibility concretely enough or having a limited evaluation of psychological barriers when designing a reporting system.

Furthermore, a mature compliance program on paper does not necessarily mean that violations will never take place again. Mature compliance programs or individuals themselves can always have certain factors in them that result in violations being committed, whether intentionally or not.

The core insight with regard to compliance is that, in the companies that were studied, fertile soil was found for compliance within the organizational culture. In line with the literature⁷, the culture measurements, which several of the participating companies had already repeatedly made themselves, also revealed that culture can change, and can thus be influenced. The results of the current culture study can help the organizations in that context: what culture elements have the best chances of success for making your culture even better fertile soil for compliance? In general, ACM also encourages companies to take a closer look at this within their own contexts and real-life situations in order to be able to have their compliance programs focus on that even more. Each violation that harms other companies or consumers is one too many, and investing in a strong fertile soil for a compliant organizational culture offers concrete guidance in order to bear social responsibility and to prevent unintentional violations.

The current statistical analyses reveal (as explained above) that the following three elements are the most important 'tools' for influencing a compliance culture:

- Perceived internal enforcement
- Error management culture
- Leading by example / tone at the top

In this context, perceived internal enforcement and an error management culture can exist together, and, in turn, leading by example influences these two factors. One pitfall that we discovered next to the core elements is the possible rationalization that employees may use, where a violation (or almost violation) is justified if it were, which

⁷ For example, see: Unzueta Aranguren, G., Esnaola Arruti, A., & Eguren Egiguren, J. A. (2020). Continuous improvement framework to develop cultural change: case study, capital goods company. *The TQM Journal*, 32(6), 1327-1348.

can pose a risk to compliance.

As an independent and open regulator, ACM seeks to stay in touch with the outside world. It does so by entering into a dialog more actively with companies that it regulates. The study at hand has created more room for such dialogs. With that, ACM expands its insight into compliance in real life, what factors can boost or restrict compliance, and, at the same time, ACM hopes to promote the use and necessity of the laws it enforces.

4 Annexes

General research methodology

In order to get an overview of instrumental and culture compliance, ACM uses, in general, three different research methodologies. These are: 1) desk research 2) questionnaires, and 3) semi-structured in-depth interviews. The general conclusions and through lines from this project have been substantiated using various instruments: we applied so-called 'triangulation'. This is because different research methodologies each have their own pros and cons.

Desk research is basically about factual documents. It gives a concrete picture of how the organization would like to see its compliance design, and how it would like to see it organized. However, what is written down on paper may not always correspond to what is actually happening in the workplace. That is why it was also decided to use research tools to measure what is common in the workplace, as well as employees' perceptions of compliance. These are interviews and a questionnaire.

One major benefit of using questionnaires is that it makes it possible to survey a large group of people, thereby providing a more complete, average picture of how compliance works in the organization, as opposed to if only a handful of employees were interviewed. Moreover, with this kind of quantitative data, underlying relations can be tested (correlations, regressions). The results thus gain more authority, because they are shared by a sizable, relevant part of the organization.

However, questionnaires also have drawbacks. For example, employees are expected to give socially-desirable responses to questionnaire items that concern their own behavior or compliance. This effect may be exacerbated by the fact that this questionnaire was sent out by the regulator. That is why we preferably supplement the quantitative survey data with interviews with employees at different levels of the organization.

In interviews, social desirability will also be a factor to a certain degree, yet, the interviewer can ask follow-up questions, and ask for concrete, factual real-life examples in order to mitigate that effect. That is why interviews are a welcome supplement to a questionnaire. The purpose of interviews is to be able to interpret the results of the other research methodologies. An average score from the questionnaire can be supported by concrete examples about the application and effect in practice. Interviews thus lend color to the results of the questionnaire. Using only interviews to draw conclusions is not sufficient.

By looking for the through lines that we find in all three methodologies, we are able to enhance the robustness of the conclusions. Finally, any differences in conclusions between methodologies can be interpreted by using follow-up analyses such as a supplemental questionnaire analysis in which the data is compared with another party, or by sitting down with the staff of the compliance department within a company.

Desk research analysis – maturity model

The documents have been mostly used to get an overview of instrumental compliance. This has been classified according to the so-called maturity model, which is based on the Organizational Learning Theories. The more complete an organization has laid down rules for compliance per dimension, the likelier

it is that compliance has been assigned properly in the organization. However, achieving level 5 in all areas would (or could) be inefficient, and the odds are slim that, in practice, there are any companies that have their compliance at the highest level on all elements. It is always up to the organization to assess for themselves what, in their cases, is the most effective in terms of measures, procedures, and evaluations per element.

Level 1 consists mostly of ad hoc compliance arrangements, for example, only responding to complaints, and complaint-handling, without implementing any further control measures following such complaints. With Level 2, these ad hoc responses are, in any case, carried out by a specific individual, who holds responsibility over them. With Level 3, a certain (preventive) procedure is embedded in the organization for a specific compliance element. The difference between step 2 and 3 is therefore considerably greater than between steps 1 and 2.

Any organization will be able to reach level 3 on most elements in a relatively short amount of time, and this acts as fertile soil for compliance. However, level 4 will only be reached, if an evaluation has taken place of whether the measures and procedures have actually achieved their objectives. And if these evaluations are optimized as well (on a regular basis), level 5 is reached.

Questionnaire analysis – regression analyses

The questionnaire has been developed in cooperation with researchers of VU Amsterdam university in order to guarantee the robustness of the results. Most of the questions come from the Corporate Ethical Virtues Model of Muel Kaptein. He studied ethical business cultures and compliance within organizations for many years. The questionnaire has been supplemented with items about attitudes towards the compliance department, ACM, and personal and social norms, because previous research has revealed that these can be important predictors for compliance.

The scale on which the questions are measured usually ranges from 1 to 6, where 1 is 'completely disagree' and 6 is 'completely agree'. So there is no 'neutral' option (respondents are thus 'forced' to make a choice and take a position with regard to the topic in question). One of the main reasons for this design is the comparability with the scores of Muel Kaptein, thereby providing businesses a benchmark.

Attitudes are the only dimension that is measured on a 7-point scale, because somebody's opinion/attitude can actually be neutral. Furthermore, it is common to use a 7-point scale in attitude studies.

In order to analyze the answers to the questionnaire, we used correlation and regression techniques (including Structural Equation Modeling) to study, for example, what factors in the culture within a company relate to each other or even predict each other. In addition, differences between groups have been studied, for example, to what extent two departments differ from each other in terms of average scores⁸.

Generally speaking, a score has been interpreted as high by looking at the absolute average, and see on which side of the scale the score lies (is the average between 1-3 or 4-6?). In case of doubt, the rule of thumb is: if the average score is 80% or higher of a scale's maximum, it is considered a high score. With a scale of 1-6, this means that a score of 4.8 or higher is considered a high score. That 80% is arbitrary, but it does help when comparing scores, and it adds consistency. Should there be a valid reason for interpreting

⁸ By using non-parametric tests.

a score as 'average' or 'high' when it is not over that 80%-threshold, it has been explained in the report the company in question received. In that context, we also looked at, for example, the relative score compared with other culture elements within the same organization. If an organization has the maximum score for almost all elements (6 is the top score), except for one element, for example a score of 5, it is striking, and will not automatically be identified as 'high'.