

A Theoretical Derivation of Compliance Terminology

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Abstract

Up to now, compliance literature does not provide a universal definition of compliance, and terminology such as “ethics” and “compliance” is even used synonymously. With the help of the “5-Whys” technique, it is aim of this paper to gain a better understanding of the meaning of compliance, which will support further research on compliance. In this context it is addressed, if ethical behavior is based in the sense of homo economicus on the idea of profit maximization to be able to do successful and long-term business. As a result, moral and ethics seem to be the goal and origin of compliance at the same time. However, in a challenging environment with diverging objectives, neither laws nor compliance measures, such as programs lead to compliant behavior in every case, which is shown by compliance violations. It seems to be a matter of motivation to want to behave compliant, which the self-determination theory (SDT) helps to understand.

Keywords: compliance, compliance program, moral and ethics, self-determination theory (SDT)

1. Introduction

If the meaning of compliance is broken down to the general dictionary definition alone, the following explanation can be found: “the act of obeying an order, rule, or request” (Cambridge University Press, 2014). Based on this terminology, compliance mainly refers to the fulfillment of and adherence to existing rules or laws. Although this definition already describes an important aspect, the understanding of the term seems to be insufficient for research purposes, as theoretical derivations should consider many more facets.

In the Scopus literature database, a search for literature containing the term "compliance" as part of the title results in more than 46 thousand contributions. A clear and in-depth understanding of “compliance” however seems to be missing, as in literature, “compliance” and “ethics” are often used in combination or synonymously. Especially when it comes to programs, the two terms are mixed up, e.g. “compliance and ethics program” (Majluf & Navarrete, 2011; Sample, 2015), “(corporate) ethics and compliance program” (Barry, 2002; Weber & Wasieleski, 2013) or “ethical compliance program” (McKendall et al., 2002). Other researchers relate more to “(corporate) ethics programs” in their terminology (Weaver et al., 1999; Weaver & Treviño, 1999). Partly these terms are extended by the term “legal” e.g. “ethics and legal compliance” (Treviño et al., 1999). Weaver and Treviño (1999, p. 315) use the term "ethics program", which they consider as an „umbrella term“ for other terms such as „shared values programs, compliance programs, responsible conduct programs etc.”. Also Stöber et al. (2019, p. 384) point out the synonymous use of “compliance programs/training” and “ethics programs/training” in literature and practice, whereby the combination with the term training indicates a certain direction of their understanding. Up to now, there is no universal definition of compliance.

An analysis of the differences and overlaps especially between "ethics" and "compliance" as well as the consideration of "legal compliance" seems necessary, as current literature has not focused on clear definitions, interrelationships and distinctions between the terms and concepts in detail, which should be determined as a prerequisite for further empirical research. For this reason, this paper will focus on the development of a comprehensive understanding of the general concept of "compliance" and the compliance terminology that researchers face when studying compliance literature. Therefore, the following question will be addressed: how could compliance be defined, and which overlaps and delimitations with other related terms do arise?

To answer the research question, the paper will provide a theoretical underpinning, by presenting the theory of self-determination in section two. In the following section three, the research gap is addressed by following the approach of the “5 Whys” as a methodology, which is actually a technique, that is commonly used for root cause analysis (Gangidi, 2019), but for the purpose of this analysis an appropriate tool to answer the research question. In the last sections, the results will be presented as well as limitations and further research requirements.

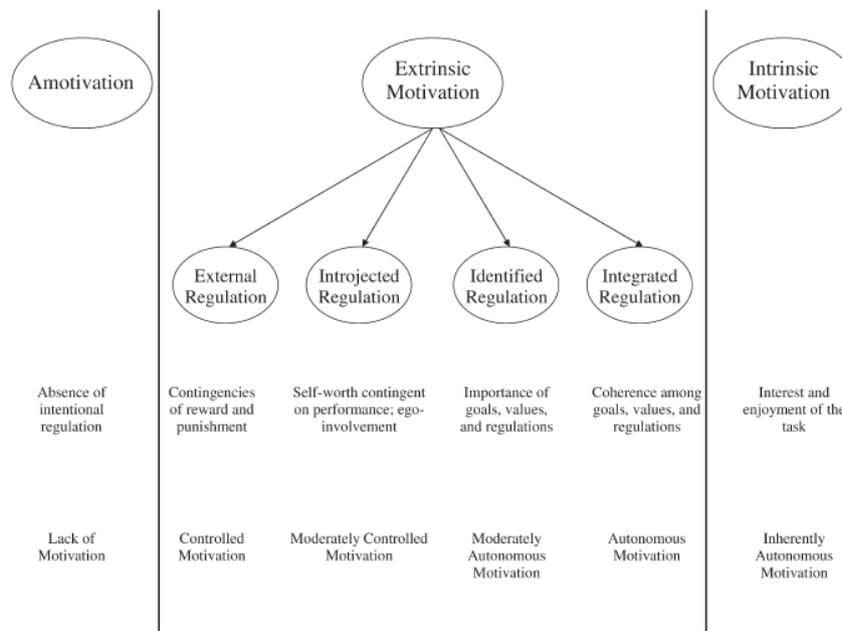
2. Theoretical background

The self-determination theory (SDT) has been used in the area of compliance, e.g. Burstyn et al. (2010), who applied the SDT in the context of compliance with occupational health and safety regulations. The SDT may be applicable in many different contexts of life and considers central concepts, inter alia, the interaction between social environment and motivation or behavior (Deci & Ryan, 2008, p. 182). A clear connection of this theory to the goals of compliance (which is a compliant behavior) is evident. The SDT represents a sufficient and comprehensive approach to explain the effective behavior of an organization (Gagné & Deci, 2005, p. 356) which is why the theoretical derivation of compliance terminology for that paper shall be based on the SDT. The main content of the SDT are the two different kinds of intentional motivation, with the “autonomous”, intrinsic motivation on the one hand and the “controlled”, extrinsic motivation on the other hand (Gagné & Deci, 2005, pp. 333–334). One could also describe, that there is “fully self-determined” behavior on one side of the continuum and “completely initiated and controlled by external social forces” on the other side (Burstyn et al., 2010, p. 273). The state without intention nor motivation is called “amotivation” (Gagné & Deci, 2005, p. 334).

A more detailed explanation of the different types of motivation becomes necessary. Behavior, which is motivated intrinsically, as a person is personally interested in a task, can be described as autonomous motivated, whereas behavior that is externally regulated and triggered by external contingencies means that extrinsic motivation is necessary to conduct a not intrinsically motivating task and stands for controlled motivation (Gagné & Deci, 2005, p. 334). Next to externally regulated motivation there are three other kinds of extrinsic motivation, which specify the degree of internalization of an external regulation, whereas internalization describes the conversion of an external regulation into an internal one, e.g. through the internalization of values (Gagné & Deci, 2005, pp. 334–335). Gagné and Deci (2005, p. 334) describe the degree of internalization with a “controlled-to-autonomous continuum” and three processes “introjection, identification, and integration”. An introjected regulation means a merely controlled, internalized, but not considered as one’s own regulation, influencing a person’s behavior to prevent or foster certain feelings such as guilt or pride (Ryan & Deci, 2000, p. 72). An identified regulation describes a regulated behavior, which is more in line with personal goals and identity, the integrated regulation stands for self-determined behavior, identifying that this behavior is “integral part” of oneself (Gagné & Deci, 2005, pp. 334–335).

Figure 1 from Gagné and Deci (2005, p. 336) summarizes the different states of motivation.

Figure 1: The self-determination continuum with the different kinds of motivation



Source: Gagné & Deci, 2005, p. 336

Applying the SDT on compliance brings several insights. When dealing with the concepts of compliance, it is helpful to be aware that compliant behavior requires a certain kind of motivation. Therefore, one should not only focus on the rules themselves, but also on the specific meaning of these rules for individual’s motivation. One could assume, that compliance violations are triggered through a lack of motivation and that external regulation, as the controlled form of extrinsic motivation, seems to be the minimum requirement to avoid violations. According to Burstyn et al. (2010, p. 274) studies confirm, that “autonomy-supportive” approaches are more successful to foster motivation. An autonomy supportive work climate, for example, is to be considered by researchers to enhance autonomous work motivation (Gagné & Deci, 2005, p. 354). With this theoretical derivation, it is not surprising that in compliance literature, rule-based, stick approaches are considered less appropriate than principle-based, carrot approaches (Arjoon, 2005) or values-oriented programs seem to be more effective than pure compliance oriented programs (Weaver & Treviño, 1999).

Using figure 1 of Gagné and Deci (2005, p. 336) the idea arises that aim of organizations with regard to compliance is to attain a state on the right of the continuum, and even if intrinsic motivation cannot be reached, an organization should try to establish at least autonomous extrinsic motivation in order to avoid compliance violations.

The STD provided a better understanding of the relationship between an individual's motivation and compliance behavior and will be used as the theoretical underpinning in the following to help answering the research question.

3. Methodology - “5 Whys”

As a methodology, the “5 Whys” will be applied, which is actually a technique, commonly used for root cause analysis (Gangidi, 2019). For this research question, the technique seems to be ideal, to analyze the original meaning of compliance and relationship between related terms. Questions, starting with “why” will be repeated, the respective answer is used as a starting point for the next question in order to get closer to the reason of a problem (or, as in this case, closer to the reason of a concept), merely with the help of “human mind” and “problem-oriented thinking” whereas specific areas for the questions may be suggested (Myszewski, 2013, p. 372). Even though there are adaptations of this technique (e.g. Gangidi, 2019; Myszewski, 2013), the author will ask five why-questions and each question will be answered supported by literature. Findings from one iteration are applied to start a new iteration to further develop an understanding of the interrelationships of the different concepts and the concepts themselves.

This procedure reminds of an hermeneutic approach of literature reviews, e.g. according to Boell and Cecez-Kecmanovic (2010). This approach does not aim to identify as many potential sources in literature as possible, but to find a few very relevant sources, and to better understand the relevant literature on a phenomenon by repeating the hermeneutic circle (Boell & Cecez-Kecmanovic, 2010, p. 142). Hermeneutics analyze “how the understanding of parts relates to the understanding of a larger whole and vice versa” (Boell & Cecez-Kecmanovic, 2010, p. 132). Whereby the hermeneutic circle describes the procedure of understanding individual texts (parts) and the overall relevant literature (whole), which means that individual texts are understood and interpreted in relation of the understanding of the overall relevant literature, whereas this knowledge has been generated through the understanding of individual texts (Boell & Cecez-Kecmanovic, 2010, pp. 132–133).

The methodology for this paper is additionally inspired by this approach, in which a general and comprehensive understanding of compliance is to be achieved through the understanding of specific terms, which in turn can be better understood with a more developed general understanding of compliance. A conventional literature review is hardly feasible for the number of different compliance related terms and does not correspond to the aim of this paper of analyzing the term compliance and its related terms in a targeted manner.

The procedure of the “5 Whys” has to start with “a good problem statement”, without adding a cause, but including an objective as well as a deviation (Gangidi, 2019, p. 298). The main problem, which is likely to concern practitioners and researchers alike, is why some organizations and companies fail to be compliant successfully, which is why this problem should be regarded as the starting point of this paper's 5 Whys methodology. Aim of this 5

Whys methodology is to come closer to the “root cause” of compliance failures, developing a comprehensive understanding of the concept of compliance and related terms.

Table 1 provides an overview of the resulting answers and questions and gives a preliminary outlook on the following chapter.

Table 1: Overview of “5 Whys” technique applied to compliance

1. Question: Why do organizations fail at compliance?	Great compliance risk results in compliance failures (non-compliance, compliance violations).
2. Question: Why does compliance risk occur for organizations?	Risk for organizations occur through rules and laws, which can be violated.
3. Question: Why are rules and laws established?	Rules and laws are established to ensure moral and ethics in different contexts.
4. Question: Why are moral and ethical principles not always followed?	A lack of motivation leads to non-ethical/non-compliant behavior.
5. Question: Why do individuals have a lack of motivation to behave ethically/compliant?	Organizations failed to create a motivating environment (at least extrinsic motivation, best intrinsic motivation).

Source: Table created by the author.

4. Results

The first question to ask on the way to a deeper understanding of compliance is "Why do organizations fail at compliance?" and the most obvious answer, without already delving deeply into the cause is that a company's compliance risk is such that the probability of a compliance breach is very high, or a violation has already occurred. Vulnerable organizations must also be regarded as unsuccessful, since not only a violation but already an increased risk of violations must be understood as a compliance failure. In this context, it therefore appears useful to examine the meaning of the term “compliance risk”.

Compliance Risk

In order to approach a valid definition of compliance, the concept of risk should be examined, since the original driving force of compliance probably goes hand in hand with the avoidance of risks. In fact, there is little scientific input regarding the definitions of compliance risk. When it comes to defining compliance risk, researchers (e.g. Birindelli & Ferretti, 2008, p. 338; Scanlan & Purdon, 2007, p. 742) often make use of practical documents and statements, however it seems that no generally accepted scientific definition is established. Haimes (2009, p. 1651) applies a systems-based approach to the concept of risk and states that ““risk” is a vector of the same units (dimensions) as the consequences, and is a function of: (i) time, (ii) the probability of the threat (initiating event) and its specificity (input), (iii) the probability of the consequences, given the threat, (iv) the vector of the states of the system (including its

performance capability, vulnerability, and resilience), and (v) the vector of the resulting consequences.” The individual aspects of this plausible approach according to Haimes (2009) are now to be applied to compliance risk, referring to compliance risk in firms:

- (i) If we consider the aspect of time, a compliance risk must be weighted differently depending on the date and duration. Haimes (2009, p. 1651) refers to the question “over what time frame?”. Especially the duration but also the occurrence of risk at "unfavorable" times may impact compliance risk. As an example, the ongoing Covid pandemic can be mentioned. For companies, there is likely to be an increased compliance risk at the time of the Covid pandemic, as many employees started working from home and compliance processes have yet to be adapted to this new situation. The longer this phase lasts, the higher the compliance risk appears to be.
- (ii) The probability of the threat and its specificity appears to be especially relevant for organizations, since in general every new law and regulation that companies have to follow may represent a potential threat. It may sound contradictory that a new law can be a threat, since laws have a protective function, but it should be regarded in the context of the risk of a compliance violation. This means the more laws and rules, the higher the probability for a violation. As laws and regulations can dictate a process or procedure in a very detailed way, also the specificity may have an impact on compliance risk.
- (iii) The likelihood of consequences in case of violations of legal regulations is arguably quite high, as enforcement is usually checked by authorities and by means of official audits, and non-compliance is sanctioned accordingly. The extent to which internal compliance processes are checked and violations sanctioned internally may depend on the organization itself and whether, for example, control mechanisms or regular audits are implemented and what meaning the organization attributes to compliance at all.
- (iv) A very interesting aspect refers to the “states of the system”. This shows that the risk develops depending on the nature of the "system". For assessing compliance risk, the system could be the company or organization itself, but also the integrated compliance program. It seems that the more efficient and resilient the system, the lower the risk. It is also important to take into account whether a compliance system has just been introduced or has already developed and improved over several years.
- (v) Resulting consequences of compliance violations can be easily demonstrated, referring to literature, that mention or refer to different scandals (e.g. G. S. Bhabra & Rooney, 2020; Chen & Soltes, 2018; Majluf & Navarrete, 2011). In addition to severe fines by authorities, the bad reputation of the company in particular seems to be a far-reaching consequence of compliance violations.

Using the definition of risk according to Haimes (2009) helps to derive the term „compliance risk“. Compliance risk can be summarized abstractly as follows: it means for a certain time or timeframe the probability of sanctions being imposed for a violation of (externally) imposed rules, which are faced by the compliance capabilities of an organization.

This definition leads to the next question in the root cause analysis of compliance fails: Why does compliance risk actually occur for organizations?

Laws and Regulations in Compliance Literature

As already indicated in the section above, it seems that laws are primarily responsible for “why” risk arises for organizations. If there were no rules and laws, logically one could not violate them, nor would there be any compliance risk. Depending on the context, there are different laws or internal regulations, which also seems the reason for different types of compliance such as tax compliance (Araújo Marques et al., 2020; D’Attoma et al., 2020; Li et al., 2020; Robbins & Kiser, 2020), compliance with labor regulations (Dávalos et al., 2020), labor standards (Pike, 2020), reporting standards (Tsalavoutas et al., 2020) or IT security and data governance (Johannsen et al., 2020). Baier et al. (2020, p. 443) for example use the term of trade compliance in the context of foreign trade and customs law. The derivation shows that applicable law or regulations of a certain area are a key aspect of compliance. In literature two U.S. regulations are of particular interest, the Sarbanes-Oxley Act (e.g. Arjoon, 2005; H. S. Bhabra & Hossain, 2017; G. S. Bhabra & Rooney, 2020; Kecskés, 2016) as well as the Federal Sentencing Guidelines (U.S.) (e.g. McKendall et al., 2002; Peterson, 2013; Sample, 2015; Weber & Wasieleski, 2013). The Sarbanes-Oxley Act “contains proposals that increases Chief Executive Officers’ accountability for financial statements, increases penalty for fraud, makes Chief Executive Officers and Chief Financial Officers sign off financial statements, strengthens the role of the audit committee, and bans several types of non-audit consulting services by outside auditors” (Arjoon 2005, S. 345), whereas the United States Federal Sentencing Guidelines, can be seen as “a set of statutes that attempts to bring greater sentencing uniformity and more severe penalties to corporations that have broken the law” (McKendall et al., 2002, p. 367). Of course, one could name many more types of compliance, as well as their legal basis, in which the respective type of compliance is founded, but at this point just the theoretical connection between compliance and laws or regulations should be shown.

Now that it is understood that compliance risk arises from existing laws and regulations, the next question that needs to be answered is why these laws are actually established? To find an answer to this central question, one has to take a step back to realize the fundamental importance of laws in the context of compliance.

(Legal) Compliance and Ethics

As already stated, depending on the context, for which laws and regulations are established, several terms to cluster different kinds of compliance are used. It is not surprising, that literature often uses the term “legal compliance” (Treviño et al., 1999; Weaver et al., 1999; Weaver & Treviño, 1999), due to the direct connection of compliance to laws and regulations. But it is questionable that the legal aspects reflect the entire concept of compliance. Companies also implement their own internal rules and regulations, which can also go beyond the required legal extent. For example, with regard to trade compliance, exports to certain sensitive countries that,

although legally permitted, are not carried out due to the company's own attitudes. This circumstance would not be adequately described by the term “legal compliance”. Legal compliance seems to represent rather a minimum level of compliance. This leads to the point made in the introduction that the terms "ethics" and "compliance" are often used together or synonymously in literature. Further analyses of the differences and connections between "ethics" and "compliance" as well as the consideration of "legal compliance" seems therefore necessary.

The well-known Golden Rule “Do unto others as you would have others do unto you” is often considered as the main concept of global ethics and is widespread in religious and philosophical contexts (Burton & Goldsby, 2005, p. 372). The Golden Rule may not be understood as an “universal normative ethical principle”, however for moral thinking the understanding to abide by the rules that we also impose on others is essential (Burton & Goldsby, 2005, p. 382).

Applying this rule to the business context, the principle of the “honorable merchant” appears relevant. The origins of such “honorable business practices” can be even found in Bible and Quran (Czinkota, 2016, p. 192). Particularly building of trust seems to be crucial for success, which is contrasted by the failure when honor is questioned (Czinkota, 2016, p. 197). And also nowadays, in order to survive, companies must make a profit and at the same time remain within an ethical framework (Arjoon, 2005, p. 349).

But does this applied to the business world mean that ethical behavior is only based in the sense of homo economicus on the idea of profit maximization in order to be able to do successful and long-term business as a trustworthy and honorable merchant with a good reputation? This thought would be in line with Klikauer (2017, p. 100), who states that business ethics tends more towards ideology and less towards moral philosophy and ethics.

The relationship between “ethics” and “compliance” has been examined in-depth by Michaelson (2006), who highlights, how difficult it is to evaluate a relationship between both terms. Michaelson (2006, p. 247) shows the tension between ethics and compliance and refers to the joke that "business ethics" contradicts itself already in the term. He derives via different theoretical justifications, that there is a distinction between “what you have to do” and “what you choose to do” (Michaelson, 2006, p. 243). However, choice and goodness, as the two essential elements of ethics, seem not to conclusively explain organizational ethical progress, although one might wish that in the business world everyone would have chosen to behave responsibly without imposed rules (Michaelson, 2006, p. 248).

To overcome this theoretical dilemma, it is helpful to refer to Immanuel Kant, who is often cited in literature on ethics (e.g. Bordum, 2005; Johnson, 1996; White, 2004).

Kant’s categorical imperative is considered to be the “core” of his work and “expresses the normative ethical distinction between morally right and wrong” (Bordum, 2005, pp. 852–853). Also Johnson (1996, p. 166) agrees with Kant’s explanations, “that the principle of a good will is duty and that only actions from duty have moral worth”. Bordum (2005, p. 860) postulates that Kant has even solved the problem of “the gap between thought and action and between action-principle and actual behavior” with “duty”, which functions therefore as a bridge. Such

a duty originates from the inner and can be considered as “an obligation to oneself” (Bordum, 2005, p. 861). Duty could be probably seen as an intrinsic motivation, referring to the SDT. This idea leads to the paper of White (2004) “Can *homo economicus* follow Kant’s categorical imperative?“, who successfully connected Kant’s duty-based ethics and the economic model of rational choice. By duty, in the sense of the categorical imperative, no motivational gap arises, however if there is a gap, this may be an indication of an external, not internalized motivation (Bordum, 2005, p. 861). According to Bordum (2005, p. 861) not fulfilling the categorical imperative even goes along with identity dissolution. In a certain way, also Paine (1994, p. 167) agrees on the view that humans “suffer” if they do not behave according to their ideals, and states that “ethics is about human relationships and the norms, principles, and ideals that govern them”.

Placing these insights in the context of the question to be answered, ethics and morals receive a superordinate meaning to compliance and appear to be the actual reason, why laws and regulations are established. Thus, each law and even compliance must or should be therefore ethical and moral, justified by ethics and morals themselves, and could again in a kind of interaction help to ensure ethics and morality. Laws and also compliance arise from moral and ethics, which then in turn contribute to the observance of morals and ethics. With these insights, in literature the term “ethics” seems not to mean anything other than “compliance” and terms such as “ethical compliance” rather seem to clarify both, the origin and goal of compliance. It is therefore not surprising that the terms ethics and compliance are often used in the same context.

With this understanding of ethics and its special connection to compliance, the term “legal compliance” should now be reviewed in detail. In order to further analyze the meaning one should examine the explanations of Arjoon (2005), as only few researches distinguish legal and ethical compliance approaches as clearly as him.

“Legal compliance mechanisms tend to promote a rule-based or the stick approach which corresponds to the letter of the law which may not necessarily inspire or instill excellence, whereas, ethical compliance mechanisms promote a principle-based or the carrot approach which corresponds to the spirit of the law.” (Arjoon, 2005, pp. 347–348). The legal compliance mechanism appears not sufficient to establish ethical behavior, as the real and so important ethical judgment and decision making is not anticipated. (Arjoon, 2005, p. 348).

With this regard, the explanation given by Paine (1994, p. 165) is very revealing, as she states, that „what is legally permissible but ethically questionable today may be legally restricted or prohibited tomorrow“. Accordingly, the ethical assessment is decisive, which is why it seems to be of central importance for companies to pursue a corresponding "ethical" compliance approach and to promote the competence of ethical decision making. If this insight is now applied to the goal to explore the meaning of compliance, the term “legal compliance” seems rather inappropriate. The author uses the term compliance therefore in the sense of ethics.

The own ethical evaluation and ethical decision making appear to be in the focus, since mere adherence to the law may already be outdated or may even not be ethical and therefore does

not reflect the central aspect of compliance and brings up the next central question, why moral and ethical principles are not always followed?

This previous insights can be aligned with the view of Michaelson, who says that compliance (in his words “objective of responsible conduct”) cannot be achieved by externally imposed rules alone, “but must also appeal to what is desired” (Michaelson, 2006, p. 249). This awareness is bridging the gap to the interpretation of the SDT, as it should be the aim of compliance to reach a state of autonomous external -or even better - internal motivation. It could be further assumed, that moral and ethical behavior seem to be the inner intrinsic motivation of all humans, which can be affected by forces from the outside and lead to a lack of motivation resulting in non-compliant/unethical behavior.

But why do people face a lack of motivation to behave compliant? In a business context, organizations obviously missed to create a motivating environment, which could be seen as the root cause for every compliance fail.

Compliance Program

After all, a compliance program is probably the only factor that can be actively shaped by a company itself and therefore set up an environment of motivation, which is why compliance programs will be considered in more detail.

For this research and especially after the theoretical derivation, the term compliance program will be used without further additions, since these push the term in a certain direction, but do not do justice to the full understanding of compliance. Table 2 provides definitions or descriptions of compliance programs from literature that highlight the central idea behind the term.

Table 2: Overview of definitions of “Compliance Program”

“Whatever their orientation and goals, ethics programs attempt to bring some degree of order and predictability to employee behavior.”	Weaver and Treviño (1999, p. 317)
“Formal ethics programs can be conceptualized as organizational control systems aimed at standardizing employee behavior within the domains of ethics and legal compliance.”	Weaver et al. (1999, p. 42)
“Therefore, we defined the scope of a corporation's ethics program as the number of different ethics program elements included in the formal ethics management effort.”	Weaver et al. (1999, p. 42)
“Compliance and Ethics Programs implemented by corporations are aimed at reducing the risk of misconduct by employees at all levels of the firm.”	Majluf and Navarrete (2011, p. 567)
“First, compliance programs assist in preventing the causes of legal issues from arising by creating an environment that encourages ethical behavior and tying it to business decision making processes.”	Peterson (2013, p. 1036)

Source: Table created by the author

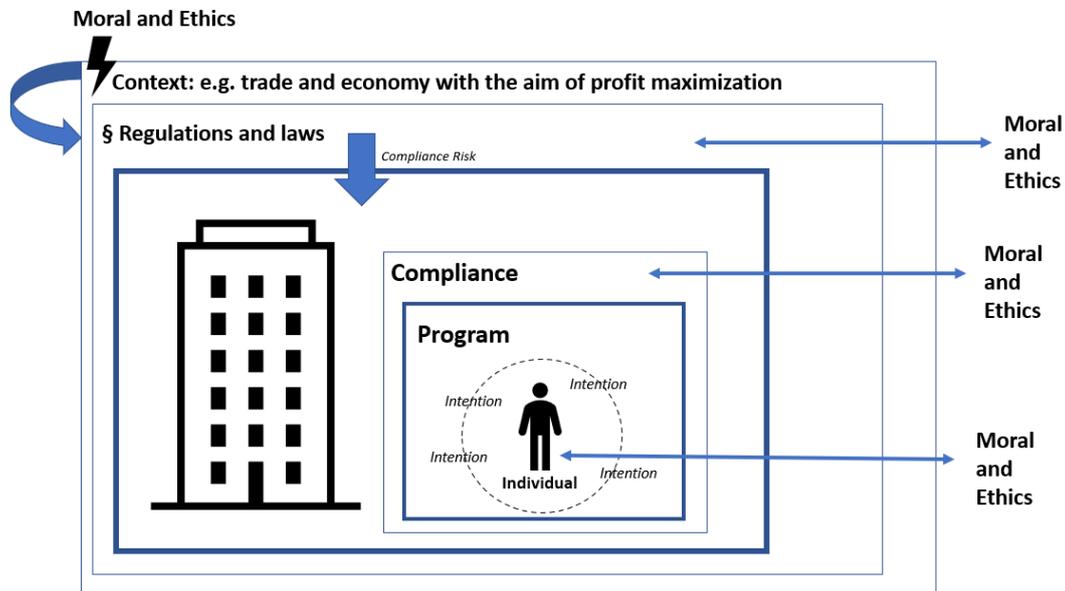
What all the definitions have in common is that companies want to use compliance programs to positively influence (one could also say to motivate) the behavior of individuals in the sense of compliant behavior. One could link that finding to the SDT and postulate that this influence of behavior could be reached through motivating elements. An important aspect that needs to be worked out in further research are the individual compliance program elements, which, according to (Weaver et al., 1999, p. 42) present the scope of the program. These compliance program elements could be seen as motivating elements, that foster motivation, whereby it is obvious that extrinsic motivation of employees can be easier reached by a company than intrinsic motivation. Aim of organizations should be to create effective, motivating compliance programs, whereby intrinsic motivation to comply would represent the ideal state, but companies must ensure at least a certain degree extrinsic motivation. Key for long term success in compliance seems to lie in the intrinsic motivation, which means that employees' inner beliefs correspond with the compliance statues of the company, which can probably only actively be influenced by compliance programs that explain in a comprehensible way why ethics matter without any other business goals, that contradict compliance.

Another aspect, following the principle of the hermeneutic circle, brings one back to compliance risk, discussed at the beginning. One can find indications that risk assessment and compliance programs have quite a strong relationship, e.g. it seems to be necessary to determine the risk for a company individually in order to develop an effective ethics and compliance program, as Ndedi (2015) shows in the context of anti-corruption. Accordingly, it can be concluded that based on the individual risk of a company, i.e. depending on the respective context and environment of a company, a compliance program should be developed that meets the individual risk requirements of the company. This represents another important aspect, which needs to be taken into account when creating an effective compliance program.

5. Conclusion

Following the 5 why questions, important insights into compliance and related concepts could be obtained. A summary is graphically represented by figure 2.

Figure 2: Compliance and related terms



Source: Figure created by the author

Taking all theoretical derivations into account, compliance in a challenging environment with divergent goals could be defined as a behavior, originating in moral and ethics and simultaneously pursuing this as a goal, activated through intrinsic or at least extrinsic motivation, which could be fostered via an effective compliance program. A lack of motivation seems to be the reason for compliance violations.

Ethics and morals must be seen as a superordinate concept from which all other arise. Different contexts may influence the motivation for ethical and compliant behavior and possibly result in diverging objectives, which stand in contrast to our moral conception. Compliance follows the same principle as the law and is based on ethics and morals and aims to preserve them at the same time. However law only represents one part of ethics (Paine, 1994, p. 167). The key insight is that compliance goes a significant step further and ensures not only the adherence to the applicable laws but can also ensure further internal ethical rules that go beyond. After the 5 why questions have been answered and a better understanding of compliance has been gained, it must also be said that compliance risk must not be based on the mere violation of laws, but rather on the risk of unethical behavior or the violation of internally imposed rules, regardless of whether manifested through laws. Organizations develop internal compliance programs, not only to comply with the law, which might initially appear to be the case, but also solely for the sake of ethics and morality, which ultimately resulted in the associated law. Laws and regulations as well as compliance programs seem to be based on ethics and morals and equally represent motivating instruments to ensure morals and ethics, which is why one could speak of mutually reinforcing interaction. Ethics and morals seem to be the goal and origin of compliance at the same time.

However, neither laws nor compliance programs lead to compliant behavior in every case, which compliance violations show. Rather, one must understand that it seems to be a matter of motivation to want to behave compliant, which SDT helps to understand. Even if one should assume that all individuals are intrinsically motivated to behave ethically, external influences such as profit maximization in business seem to influence this motivation. With the help of the SDT, it can be understood that compliance programs must be structured in such a way that they generate a minimum level of extrinsic motivation. However, the more an organization can do to transform extrinsic motivation into intrinsic motivation, the less likely compliance violations should arise.

This paper represents a contribution to a further developed understanding of compliance by theoretically derived insights. As a limitation for this paper, it should be noted that the methodology was of conceptual and theoretical nature, without empirical underpinning. At the same time, this limitation should be used as a guidance for further research needs. In this paper, compliance is considered in a very general way, which on the one hand suggests that the insights could also be applied to different types of compliance, although this would need to be explored in more detail through further research in concrete compliance contexts. Furthermore, there seems to be an interesting interplay between compliance intention or ethical behavior and the motivating elements of organizations, which is worth further empirical examination.

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